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PROBLEMS OF CHINESE COOPERATIVES

Few earnest students of the Chinese revolutionary scene are deceived by the swiftness of the expansion of the agricultural producer co-operatives. Admittedly, it is the most astonishing phenomenon of the revolution. After a single historic speech by Mao Tse-tung, which took everybody's breath away by a jaunty adventurism that was in truth founded on fear of a reversion to peasant capitalism, the vast majority of China's diehard peasantry found themselves working no longer as individual farmers but as part of a co-operative. For the moment it matters little whether they went in like sheep or like eager men with an eye to the main chance. The fact remains that Mao accomplished with words what Stalin never quite succeeded in doing with slaughter galore and a pitiless ruthlessness which would alone have left history to execrate his very name. But you don't make an army by signing on a vast body of recruits. And the issue that had daunted others than Mao Tse-tung still remained: the huge and variegated problems of consolidation. It has not suited the Party's book to reveal much of these complex matters. It would destroy the vast grandiose spectacle of uncountable numbers altering the whole mechanism, though not the mode, of their way of life.

But for the hierarchy it was necessary to know and study the details of the difficulties, and one of the best dissertations on these was published in the Party high-brow magazine called "Political Study."

It administers a shock in the very first paragraph, when it varies the age-old adage of the horse and the water by remarking that the success of an APC—and whether it can truly serve as a bastion for Socialism in rural districts—depends mainly upon the direction in which the co-operative is steered. It must strictly adhere to State plans and its production be conducted according to the needs of the State, and as the local, and its own, economic conditions may require. Some APCs have been unwilling to follow State plans. They often try to find ways to get rich overnight and choose to do what is most profitable to themselves. Some APCs even gave up agricultural production and devoted themselves to speculative business. In their attempt to surrender less public grain, they falsely declare their output or simply refuse to carry out the purchasing policy of the State. Such APCs have actually already lost their socialist or semi-socialist character and become a "capitalist economic clique."

They pursue this wrong course largely because of "impure" leadership, usually by the upper middle peasants, or because of dissidents who have wrested leadership from the leadership organ of the APCs. It became imperative to reorganise such leadership organs and remove those reluctant to follow the path of socialism. In co-operatives, the collective interest and the individual interest have to be identical. Only when the collective interest is given attention first, will it be possible to take care of individual interest. However,

as practical problems are dealt with, contradictions often occur between collective interest and individual interest. Take, for instance, the distribution of profit. Adequate accrual of public funds will go a long way toward developing production and in turning the APCs from the lower to the higher category. But if funds are accrued at too fast a speed, this would reduce the actual income of members and dampen their production ardour. On the other hand, some co-operatives, to "look after" the temporary interest of their members, have all the profits divided, with the result that the members are temporarily "rich," while the co-operative remains permanently "poor."

Generally speaking, the poor peasants have more labour than means of production. If the compensation for means of production is fixed too high, it would be to their disadvantage and affect their labour ardour. The middle peasants would, for their part, think that with their contribution of means of production they could receive greater compensation if they gave less labour. If compensation for labour is fixed too high, on the other hand, the production ardour of the middle peasants is affected. To solve the problem properly, the co-operatives have to give higher reward for labour than for means of production, and to increase the ratio as production increases.

Ardent efforts and rigid frugality are in any case essential. All co-operative members must be mobilised to strive for production, to enlarge the scope of operation, to develop multiple economy, and to do the work with great care. Rigid frugality means the lowering of production costs and opposition to waste and extravagance. For the work of capital construction, the co-operatives have to use as much of their own manpower, material and financial resources as possible, and every economy has to be practiced for expansion. Too many tend to show off and spend much of the valuable capital on welfare facilities which are not urgent. A common extravagance is for the co-operative, as soon as it is formed, to get rid of small draught animals and buy large ones with the only money they have available. And small farm cattle should be retained even when the

APC is financially able to buy larger ones.

At the same time considerable emphasis was put on an increase in security work. The social order in the villages has been secured. Many former landlords have changed their ideas and are keen on entering the co-operatives, but there are still reactionaries who become all the more bitter as they see they are losing out. "They hate the new society, and the method of sabotage employed against the APC is pernicious, namely, to fabricate and spread rumours to split the unity of the middle and poor peasants." In some places, when the lower APCs turn into higher APCs, the "enemy" spread the rumour that "Government wants to confiscate property and enforce the policy of egalitarianism." It is also alleged that those who opposed the socialisation of production stole co-operative property and means of production, mixed grass seeds with the seeds selected, soaked the seeds in poisonous solution, poured boiling water over the seeds, or purposely used mildewy or spoiled seeds which can never sprout after sowing. The "enemy" would also try to destroy the irrigation system to prevent the young plants from growing, and his means of murdering the draught animals are even more pernicious. He would either put poison or metals into the animal fodder or injure them with a knife. The counter-revolutionaries even make the most cruel attempt to set on fire the buildings, warehouse, animal fodder and farm tools of the co-operative or murder its cadres and even the peasants as well in an attempt to threaten those actively engaged in labour.

How far all this is imaginary and how far it is based on actual fact it is difficult to tell, but the Party Press claims that "opponents and depraved elements" have managed to get into the co-operatives. Thus the cadres are warned that they must take all steps to prevent and defeat sabotage and that the masses must be organised to guard the work. The security organisations of the villages and co-operatives, the people's militia and other organisations concerned are urged to mobilise the masses for constant action and vigilance against special agents, arson, robbery and other security failings.

HONGKONG'S TRADE FOR THE FIRST SIX MONTHS OF 1956

By Ricardo

The trade statistics for the first six months this year show an increase of \$956.1 million over the total for the same period last year with imports having improved from \$1,842.9 m. to \$2,337.6 m. and exports from \$1,185.7 m. to \$1,647.1 m. This looks very encouraging but actually an illusion exists about the gradual advance of HK trade, particularly now when the embargo has been eased. Deeper under the surface of improved trade figures are strong undercurrents of keen economic competition from Japan and the expansion of China's political trade—both designed to displace HK from her most important market—SE Asia. If HK is now enjoying better entrepot trade with China, SE Asia, and Japan as compared with recent years, such an improvement represents only the dying glow before sunset. No one knows however how long the dusk will endure over the horizon but it will not clap down like a thunder; it will set gently giving enough time for HK to recondition herself to the inevitable destiny.

Returning to the events of the past six months, the most unexciting big news was the ease of embargo on China announced by UK and some other countries. The most encouraging development was the considerable improvement in exports to Indonesia, Thailand and the three Indochinese states. Imports from the four chief suppliers—Japan, China, UK, and US—further increased. The supply situation of paper of European and US origins remained short while cost of metals registered a gradual increase. Cargo movements gathered momentum towards end of June after various shipping companies had announced the pending increase in freight rates for all shipping routes. The influx of Chinese capital from SE Asia and other sources remained heavy and flooded the local real estate market; little, if any, of this idle money was invested in trade or in local industries in spite of the increased trade volume and the improved exports of HK manufactures.

China Trade

Freed from the heavy burden of her recent wars on foreign soil, Peking concentrated her efforts on economic and political expansion at home and abroad, particularly in SE Asia. During the period, China concluded or renewed trade agreements with Japan, Lebanon, Egypt, Ceylon, Albania, Cambodia, Mongolia, Rumania, Hungary, Yugoslavia, France and Finland. Peking also negotiated trade with Swiss, Italian, Canadian and Austrian businessmen. In addition to the above developments, China bought rubber direct from Burma, coconut oil from Singapore, cotton from Pakistan, paper from Norway, fertilizer from Belgium; and sent exports direct to India, Indonesia and Pakistan. Chinese products were displayed at Paris Exhibition, Leipzig Fair and at Singapore Exhibition. Chinese freighters took part in direct shipments to and from Japan and SE Asian ports. Beginning May, there was a significant increase in the transshipment of Chinese goods via HK on through bills of lading to Thailand and other countries in SE Asia.

Demand from UK businessmen and semi-official circles in Japan and SE Asian countries for the ease of embargo on China trade gathered momentum during the half year. Trade circles in London estimated that China could import £60 million worth of British goods a year if there was no embargo. They also estimated that China's reserves of sterling were at a minimum of £100 million. Desire among UK businessmen to improve trade with China was further encouraged by Peking's purchase of "sample" tractors and automatic vial-filling and sealing machines from UK. Voices from Japan, Malaya and HK joined the clamour for the lifting of the so-called embargo. Finally in June, UK and most of her dependent territories announced the ease of embargo on China. The news came as an anticlimax and brought neither excitement nor impressive improvement in HK-China or in UK-China trade. Malaya offered rubber to China but Peking said, "not for the time being." Indonesia also wanted to sell rubber to China but Peking enquired for oil and tin instead. Bangkok denied that Thailand had any direct trade relations with Peking but added that direct imports from China would cut down the cost of China produce. Cambodia and Laos which are now receiving US Aid for their rehabilitation and reconstruction, also flirted with China. Among all those which made love to China, Japan was the most ardent suitor. Peking responded with full enthusiasm but remained firm on her demand—the complete lifting of the embargo.

Meanwhile Peking extended her political trade to strategic points in SE Asia, points in which communist infiltration had not been very successful—Cambodia, Laos, Thailand, Burma and Pakistan. Cambodia got economic aid from China, Laos received Chinese presents for the King's coronation, Thailand's market was flooded with cheap Chinese products including fountain pens from Shanghai which are exact but poor copies of Parker 51s, Burma rejoiced with China's help in building up her textile industry and Pakistan appreciated China's purchase of cotton and later (in July) will feel more gratified when China presents her with a gift shipment of rice. The basis of political trade is to import goods which are not immediately wanted or to export goods which cannot properly be spared. China does not count HK as an opponent in her economic and political expansion in SE Asia; she wants to drive British and American influence out of this area. Hongkong, however, will not be required by Peking to act as an entrepot in China-SE Asia trade after Peking has established normal direct trade relations with these countries. By then, HK products will have little chance to compete with Chinese goods in these markets because Peking can always undersell local exports in order to dominate these markets. Under the threat of Chinese economic and political invasion only four non-

communist countries in Asia stood as firm as the US against the ease of embargo and remained indifferent to Peking's direct or indirect flirtation—these were Taiwan, South Korea, the Philippines and South Vietnam.

Peking's trade with HK, however, is more economic than political and her main aim is to accumulate foreign exchange. HK also serves as a broker for the marketing of China's new exports. These two chief factors set the pattern of HK-China trade. During the period, China accumulated a favourable balance of HK\$461.8 million in her trade with HK, \$178.8 million more than that for the same period last year. Including earnings from remittances to China, Peking nets an average of HK\$100 m every month. To increase the profit from sales of food products to local consumers, Peking stationed representatives here to negotiate direct with retailers and controlled the supply of various items in order to stimulate prices. This action indirectly pushed up the local cost of living but it was manipulated in such a clever way that the blame was on local speculators. Japan and Europe provided strong demand for China produce such as beans, woodoil, groundnut kernel, etc. but supply from China was restricted and uncertain. In many cases, quotations reached here from China were much higher than those offered by Peking to Japan and Europe. Some items such as bristles came here by way of Europe because prices quoted here were higher than in Europe. On the other hand Peking sent an increasing number of new exports to HK to feel out the market. At the beginning of the year, trial shipments of round steel bars and cement reached the local market and were sold at very competitive prices. Cement attracted strong local demand and orders from SE Asia because the price was much cheaper than Japanese products. However, when demand grew, price here advanced and SE Asia bought direct from China because Peking again offered it to SE Asia at a price cheaper than for HK. Chinese cement made such a hit in SE Asia that in spite of the shortage in China, Peking imported Japanese cement to meet her domestic requirements in order to keep up the supply of Chinese cement to HK and SE Asia. The marketing of mild steel round bars was unsatisfactory; supply discontinued. Peking encouraged HK businessmen to visit Canton and other trading ports for the promotion of more trade. The response was good; trading associations and organisations conducted several missions to China but the commercial result was discouraging for China bought nothing from these visitors and sold them only unpopular exports instead of hot items such as beans and groundnut kernel. The merchant tourists to China returned with purchases including matches, nail clips, chinaware and textiles. As a result of these developments China's purchases from HK during the first six months this year further declined from that for the same period last year while her exports to the local market continued to increase:

1956	Imports from Exports to China China (in million HK\$)	
January	93.8	7.3
February	79.7	7.8
March	86.5	8.9
April	93.7	9.6
May	84.6	11.9
June	76.3	7.3
Total		
Jan.-June 1956	514.6	52.8
Jan.-June 1955	405.4	122.4

With the exception of limited speculative transactions in metals and the export of about 1,000 tons of tin plate and black plate to China, the ease of embargo in June did

not stimulate HK's exports to China which on the contrary dropped from \$11.9 million in May to \$7.3 million. Meanwhile China developed the port of Tsamkong on the Liuchow Peninsula. Tsamkong is now able to handle ships up to 10,000 tons and the railway link to the port was completed recently. It will be some time before the port is ready for large volume of shipping but eventually, China will turn this port into the major centre for her trade with SE Asia. The port facilities at Whampoa and in the estuary of the Pearl River have also been advanced. Politically, China resents the fact that still much trade from and to the country must be routed through HK. Not much is printed about this situation in the press of Peking but communist agitators are freely talking about this "intolerable remnant of the Imperialist days".

Japan Trade

During March, April and May, Japan replaced China as HK's number one supplier sending here an average of \$100 million worth of goods every month. Cotton yarn, piece goods, rayon products, fibre yarn, woollen piecegoods, cement and paper constituted the major portion of shipments from Japan. This increase in imports was due to the improved demand for Japanese products from SE Asia particularly from Indonesia and Thailand. The revival of buying power of these countries encouraged Japanese businessmen to establish ever more branches and appoint representatives in Hongkong to handle the increased trade. Meanwhile, Japan adopted more practical measures in the settlement of reparation problems with various countries in SE Asia hoping to improve her direct trade with these countries after the signing of reparation agreements. As a result, towards end of the period, Indonesia, Thailand and several other countries began booking supplies directly from Japan instead of ordering them via HK. Exports from here to SE Asia declined and local dealers curtailed imports from Japan. The aggregated imports from Japan during the first six months this year, nevertheless, still exceeded those for the same period last year by \$251.7 million representing an improvement of almost 100%. Exports to Japan during similar periods were: 1956—\$109.4 m and 1955—\$60.1 m. Japan's purchases from here covered chiefly China produce and scrap iron. Orders for China produce were not as big as before due to Japan's increased volume of such imports from China. Demand for scrap iron, however, remained keen throughout the period and kept prices here on a steady rise; had there been more supply in HK, Japan would have absorbed all of it. Japan therefore turned to US, South America and other far-away sources for more supply to meet the demand for metal from her shipping and other industries. The trade statistics show a steady increase in imports from Japan during January-May followed by a steep drop in June.

1956	Imports from Japan (in million HK\$)	Exports to Japan (in million HK\$)
January	59.8	16.5
February	69.1	15.5
March	95.9	17.1
April	118.7	17.8
May	104.8	19.5
June	59.3	23.0
Total		
Jan.-June 1956	507.6	109.4
Jan.-June 1955	255.9	60.1

Trade with the United Kingdom

Manufacturers in UK, particularly those in Lancashire, continued to complain about the competition from HK pro-

ducts and pressed London to restrict such imports. The Prime Minister, Sir Anthony Eden, recently commented that this competition could be met by the Lancashire cotton industry with its "long tradition of skill, invention and enterprise." The Government, he said, were aware of the fact that UK textile exports were meeting fierce competition from India and Hongkong but they could not depart from the principles of Commonwealth trading on which so much of British exports and prosperity depended. This is particularly true in HK-UK trade. In spite of the increase of \$26.2 m in HK exports to UK during the first six months this year compared with the same period in 1955, HK still had a trade deficit of \$94.9 million. Imports from UK consisting chiefly of base metals, textiles, machinery and electric appliances, totalled \$238.5 m during the period; \$10.7 m over the figure for same period last year. Exports were \$143.6 m and \$117.4 m respectively. In other words, for every dollar of exports to UK, HK bought in return, \$1.70 from UK (last year 1:1.90). Cargo movements between HK and UK were steady throughout the period.

1956	Imports from UK (in million HK\$)	Exports to UK
January	43.9	24.1
February	32.6	22.8
March	41.8	22.9
April	38.7	24.8
May	39.2	26.6
June	42.3	22.4
Total		
Jan.-June 1956	238.5	143.6
Jan.-June 1955	227.8	117.4

Grey cloth still constituted a large percentage of HK exports to UK. There was an increase in shipments of low priced shirts and underwear to UK but orders for rubber footwear were less. Local rubber footwear factories cut export prices in May when raw rubber dropped but orders from UK slowed down because buyers were expecting further decline in price. Rubber price, however, later improved when the ban on exports to China was lifted in Malaya and Singapore.

Trade with U.S.A.

US retained the 4th position on the list of HK's suppliers. Imports from US improved from \$21.3 m in January to \$49.6 m in June and averaged \$32.5 m per month. Exports fluctuated between \$7.3 m and \$9.8 m averaging \$8.7 m per month. The aggregate figures for the period were better than those for the same period last year; imports up by \$9.8 m and exports up \$12 m; export of HK products improved from \$5.7 m to \$8.9 m.

1956	Imports from US (in million HK\$)	Exports to US
January	21.3	8.5
February	22.8	7.3
March	30.5	8.7
April	30.0	9.1
May	43.0	9.8
June	47.6	9.1
Total		
Jan.-June 1956	195.2	52.5
Jan.-June 1955	185.4	40.5

More HK manufactures were added to the list of items allowed imports by US if covered by comprehensive certificates of origin; among the new additions were Chinese writing brushes, embroidered footwear, seagrass mats, cut

and polished green jade, knotted and hooked woollen rugs, medicine wine, shark fin cake, lemon sauce and scrap gunny. Exports of rattanware declined due to keen competition from Japan particularly in baskets and other small articles; shipments of rattan furniture, however, slightly increased. HK custom-made suits and ladies' dress attracted large number of orders from US. Chinese ladies' long dress enjoyed growing popularity there especially after several famous stars from Hollywood had, during their visits to HK, ordered wardrobes of this type of hand-made, form-fitting dress. Orders for ladies' dress sometimes exceed US\$12,000 per shipment. Pan American Airways provided special containers for speedy and safe air delivery of these consignments. Exports of men's suits to US averaged 3,500 suits every month. HK provides best available British materials at very low prices and good tailoring at cost below that charged in US. Among the regular customers are movie stars, servicemen and sailors.

Imports from US consisted mostly of metals, paper, foodstuff and consumer goods. Supply of paper, particularly newsprint, was short while shipments of metals to the local market were limited by strict export restrictions in US especially after HK had eased the embargo on China.

HK bought less cotton from US because Pakistan cotton was cheaper.

Indonesia Trade

Djakarta adopted new measures and revised regulations to restrict imports of non-essential items and to protect domestic industries. During the period, Indonesia bought about a million dollars worth of agricultural surplus from US and curtailed imports of wheat flour and other agricultural staples from HK. In spite of these developments, HK exports to Indonesia during the first six months this year totalled \$345.1 m showing an increase of 300% over that for the same period last year. HK manufactured shirts, enamelware, cotton textiles; Chinese paper, wire nails, staples; and Japanese metals, paper and sundries constituted the major portion of shipments to Indonesia. Japan developed more direct trade with Indonesia but regulated exports according to her purchases from Indonesia because Djakarta had accumulated a trade debt to Tokyo amounting to US\$60 million. Djakarta therefore turned to HK for her requirements particularly when some Japanese products could be obtained from here at prices cheaper than from Japan due to exchange differences. However, in addition to the threat from Japan, HK also experienced the growing competition from China in exports to Indonesia. To solicit orders, Peking offered her products to Djakarta at prices cheaper than quotations to HK and in return promised to buy Indonesian staples in large quantities. This is exactly what HK would never be able to do. During the period, imports from Indonesia averaged \$2.2 million per month and the aggregated volume was \$3.2 m lower than that for the same period last year. If Djakarta eventually sends rubber, tin and crude oil to China as Peking is suggesting, increasing volume of Chinese textiles, paper, metals and other light industrial products will flood the Indonesian market. Government trade figures already show a sharp drop in exports to Indonesia in June. This may have been caused partly by the usual slack season during the summer months but there was a considerable increase in the volume of Chinese products transhipped here to Indonesia during the same month.

1956	Imports from Exports to Indonesia Indonesia (in million HK\$)	
January	4.8	33.7
February	0.7	43.8
March	0.9	66.8
April	2.1	89.6
May	1.6	72.6
June	3.3	38.6
Total		
Jan.-June 1956	13.4	345.1
Jan.-June 1955	16.6	76.8

Thailand Trade

Demand in the local market for Thai rice, beans, maize, teak squares and logs, live cattle, sesame and groundnut oil remained steady throughout the period. Japan was the chief buyer particularly during the first three months before the new Japan-Thailand trade agreement was signed. Imports therefore remained between the monthly levels of \$12.7 m and \$19.7 m. Imports for six months improved by \$3 m when compared with the same period last year and exports registered an improvement of 150%. Shipments from here to Bangkok consisted chiefly of Chinese and Japanese products. Exports of HK products declined from \$34.3 m for Jan.-June 1955 to \$25.2 m for Jan.-June 1956. This reflects the increasing competition for HK manufactures in Thai markets from Japanese and Chinese products. Shipments of Japanese goods from here to Thailand were particularly active during February, March and April but after

the signing of Japan-Thailand trade agreement in April such exports slowed down and affected HK's total export to Thailand.

1956	Imports from Thailand	Exports to Thailand
	(in million HK\$)	
January	15.9	27.2
February	12.7	33.0
March	13.4	41.0
April	19.7	45.9
May	17.1	37.8
June	16.7	19.9
Total		
Jan.-June 1956	95.5	204.8
Jan.-June 1955	92.4	80.8

In her trade with China, Bangkok started with the prohibition of imports of Chinese products; later relaxed this restriction but denied that there was any direct trade with Peking; and finally admitted that it would be cheaper to import direct from China. In February, 12 Thai Congressmen visited China but on their return to Bangkok were detained by the Police Investigation Department for their unauthorised visit to Peking. In March, Bangkok banned imports of Chinese goods. During April, a 12-member Thai delegation visited Taiwan on a goodwill mission while at the same time the restriction on imports of Chinese goods was relaxed. Peking's products began to flood the Thai market. Shanghai made fountain pen was so popular there that the Parker Pen Company finally took legal steps in Bangkok to prohibit its sales because it resembled the American product but cost only 1/4th of the price for Parker 51. Finally in June, Bangkok permitted free export of rice and other non-strategic goods to all countries including China but still denied that there was any direct trade with China.

Singapore & Malaya Trade

Singapore and Malaya was HK's No. 1 buyer last year. During the six months under review, the Malayan market dropped from the 1st position on HK export list to the 3rd. The degradation was caused by the considerable increases in exports to Indonesia and Thailand. HK's exports to Singapore and Malaya during the period actually improved by \$13.4 m over Jan.-June, 1955 record:

1956	Imports from Malaya & Singapore	Exports to Malaya & Singapore
	(in million HK\$)	
January	16.9	35.1
February	11.7	26.1
March	13.7	31.4
April	15.1	34.2
May	18.3	32.2
June	13.5	29.1
Total		
Jan.-June 1956	89.2	188.1
Jan.-June 1955	74.1	174.7

The development of HK-Malaya trade was handicapped by following obstacles: (1) HK exports became more expensive in Malayan markets as a result of the increases in exchange rates for HK dollars over there stimulated by the flight of capital to HK. Chinese investors had shelved various development plans amounting to about HK\$18.7 million due to unfavourable conditions there for the Chinese. (2) Labour trouble and uncertain political situation in Singapore discouraged importers there from booking too much supply. (3) Japan developed more direct trade with Singapore; the Bank of Tokyo and several other Japanese firms were negotiating to establish branches in Singapore.

(4) China sent more staples and light industrial products direct to Malayan markets averaging about S\$10 million every month. China's purchases in return were far less. In June, Singapore and Malaya lifted the ban on export of rubber to China. Peking, however, informed Malayan traders that China did not intend to buy any rubber from Malayan markets at the present. If cheap offers were made later in the year, Peking might buy some Malayan rubber by cutting down purchases from other countries. Singapore and Malaya therefore organized trade missions to Peking hoping to get orders for rubber and in return, buy more Chinese textiles, fabrics, industrial machinery, tobacco, foodstuff and other staples. If these missions succeed to sell rubber to China, HK-Malaya trade might not even be able to retain the present volume in the future.

Vietnam, Cambodia & Laos

Under an apparent stable situation and with US financing the rehabilitation and reconstruction projects in these states, Saigon, Phnompenh and Vientiane purchased substantial quantities of construction materials, foodstuff and consumer goods from the local market. HK's trade with North Vietnam was limited to barter transactions. Exports during the six months period totalled \$73.9 million representing an improvement of more than 100% over the record for the same period last year. Imports also improved from \$16.5 m. for Jan.-June 1955 to \$29.9 m. this year. Beans, feathers and other staples constituted major imports from these states.

1956	Imports from V.C. & L.	Exports to V.C. & L.
	(in million HK\$)	
January	6.4	17.2
February	4.4	14.7
March	3.5	14.7
April	4.7	10.9
May	6.9	10.3
June	4.0	6.1
Total		
Jan.-June 1956	29.9	73.9
Jan.-June 1955	16.5	32.8

The drop in exports during June was largely caused by the tightening of exchange control by these states requiring imports to be made direct from manufacturing countries. South Vietnam, in addition, banned imports of goods from China via HK and increased import duty on textile and knitted goods to protect her domestic industry. To prevent her importers from applying for more US dollars than the actual value of imports, Phnompenh required that consignments from HK must be checked by authorized HK companies and no payment will be made unless shipments are covered by certificates issued by one of these surveyors. Vientiane stationed an American agent in HK to check all import applications submitted by importers in Laos to prevent them from applying for more exchange than justified. Meanwhile, Japan developed more trade with and extended economic help to these states. One leading Japanese bank negotiated with Vientiane for the establishment of a branch in Laos. A Japanese trade centre in Vientiane was organized by 12 Japanese firms with agencies in Laos. Japan also offered to help Saigon in the development of vehicular, aircraft, shipbuilding, communication and munitions industries in South Vietnam. With North Vietnam, Japan signed an agreement on exchange of goods. Cambodia and China signed a trade agreement in May under which Cambodia would import £5 million worth of equipment and construction materials, merchandise and other products while China would take from Cambodia, agricultural products, rubber and other staples. In June, Peking extended to Phnompenh economic aid worth £8 million. HK's exports to these states

therefore declined and were limited to only HK manufactured goods.

Korea Trade

In spite of the resumption of direct trade between Korea and Japan, HK remained one of Korea's important suppliers. Seoul cut imports from Japan because Tokyo bought very little supply from Korea. In the local commodity market, demand from Seoul for paper, textiles, industrial chemicals, steel plates and other factory items, structural steels and other building materials, pharmaceuticals and electric appliances remained very strong throughout the period. HK exports to Korea, however, dropped \$25 m. when compared with the same period last year. Lack of sufficient exchange for her imports was the chief cause of this decline; in many cases, importers in Seoul failed to send here L/Cs to cover their orders and D/P shipments to Pusan were stranded there because deliveries were not made promptly. The situation grew worse in May; HK Government representative therefore negotiated with US and Korean authorities in Seoul to speed up the delivery and shipment of the stranded \$50 million worth of cargo financed by HK business concerns for Korea. The International Cooperation Administration agreed to supply some necessary US dollars for payment but insisted that prices of goods should be revised downwards. ICA also required that 50% of imports financed with US aid funds must be carried by American vessels. Part of the goods stranded in Pusan was thus released and more L/Cs reached here for orders which had been booked since February. However, ICA allocations were far from sufficient to cover all outstanding payments and as a result, several consignments were returned to HK in June after being stranded in Pusan for over six months. Furthermore, there was not enough space on American steamers even for the reduced volume of cargoes from here to Pusan. Another obstacle was the low buying offers from Seoul particularly when compared with the increased cost of European and Japanese goods. Freight rates also advanced, increasing further the cost of Korea's imports from here. In addition to these difficulties, Seoul increased import tariff on non-essentials.

Korea's exports to HK, on the other hand, improved considerably and exceeded those during the same period last year by \$6.4 m. representing an improvement of almost 150%. Nevertheless Korea's trade with HK still showed a deficit of HK\$50 million during the first six months this year.

1956	Imports from Korea	Exports to Korea
(in million HK\$)		
January	0.2	14.8
February	1.9	10.8
March	0.4	5.9
April	2.0	4.6
May	1.1	10.2
June	4.9	14.4
Total		
Jan.-June 1956	10.5	60.7
Jan.-June 1955	4.1	86.6

Taiwan Trade

Taipei kept her imports from HK under strict control and during the first six months this year accumulated a favourable trade balance of HK\$1.9 million as compared with \$144,000 aggregated during the same period last year. HK bought more staples from Taiwan (sugar, fruits, live hogs, citronella oil, feathers, etc.) and in return shipped more industrial raw materials consisting mainly of metals, chemicals and pharmaceuticals:

1956	Imports from Taiwan	Exports to Taiwan
(in million HK\$)		
January	4.8	3.5
February	2.1	4.0
March	3.7	2.9
April	5.2	4.8
May	4.7	4.1
June	5.3	4.6
Total		
Jan.-June 1956	25.8	23.9
Jan.-June 1955	18.3	18.2

There is not much room for further improvement in HK-Taiwan trade in spite of the geographic proximity of the two islands. On the contrary, Taiwan is promoting exports of light industrial products to HK's traditional markets such as Thailand but the competition was far from keen. To develop her industries, Taipei invited overseas Chinese to invest in her textile, metal, machinery, printing, chemical, glass, drugs and other industries. The response was not very encouraging. Along the China coast, Taipei maintained the naval blockade; several ships encountered Taiwan gunboats but no incident was reported. However, in spite of Taiwan's firm stand against China, limited quantities of woodoil, medicinal herbs and beans from the mainland were shipped to Taiwan and small volume of Taiwan citronella oil, camphor and medicine went to China by way of HK. There was no direct trade between China and Taiwan. Taipei did her best to ban imports of communist goods from HK. For example green pea of mainland origin was not granted imports in Taipei. Supply from Thailand and Burma was therefore offered but it remains a big technical problem to differentiate Chinese green pea from Thai or Burmese pea. As to Peking, no restriction was imposed against Taiwan produce for they consider Taiwan a part of China anyway.

Trade with the Philippines

About 70% of the trade between HK and the Philippines during the six-month period was transacted on barter basis. By so doing, Manila managed to close the gap between imports from and exports to HK; during the 6-month period, the trade deficit was narrowed down to \$7.4 million from \$27.4 m. Sugar and mango constituted the major portion of Manila's increased exports to HK. Purchases from here consisted chiefly of HK manufactured cotton textiles, metal ware and Japanese paper and industrial chemicals. Manila required that 60% of her barter imports must be essential supplies and lowered import duty on construction materials. To protect her domestic industries, import duty on some items was increased. As a result, exports of HK manufactures to the Philippines during the first six months this year totalled only \$9.5 m., \$2 million lower than the same period last year. Total exports also declined from \$30.9 m. to \$21.1 m.

1956	Imports from the Philippines	Exports to the Philippines
(in million HK\$)		
January	1.9	3.1
February	1.6	2.3
March	1.4	3.4
April	2.9	4.7
May	2.8	3.5
June	3.1	4.1
Total		
Jan.-June 1956	13.7	21.1
Jan.-June 1955	3.5	30.9

The development of barter trade was limited by the volume of HK's imports from Manila. Authorities there used to send the bulk of their lumber, coconut oil, abaca, tobacco leaves, charcoal and iron ore to Japan and only a small volume of these exports reached HK. During the period, Manila sent here more coconut oil, charcoal, sugar and groundnut kernel but increased freight rates made Philippine staples too expensive in the local market. Shipments of Chinese produce to the Philippines dwindled as a result of Manila's restriction against such imports which used to constitute a large portion of HK exports to the Philippines. With Japan, the Philippines signed the long delayed repatriation agreement in May. Tokyo was anxious to start talks with Manila for conclusion of a new trade pact and a provisional treaty of commerce and navigation. In her barter with Japan, the Philippines had accumulated a favourable trade balance of US\$109 million during past 5 years. In view of these developments, Manila would have to buy more from Japan in the future to balance the trade.

Burma Trade

HK's exports continued to decline as a result of Rangoon's increased volume of direct trade with China and Japan. During Jan.-June 1955, HK still had a favourable trade balance of \$1 m. but this year, the half year trade figures show a deficit of \$11.2 m.

1956	Imports from Burma	Exports to Burma
	(in million HK\$)	
January	2.9	0.7
February	3.4	1.1
March	3.9	1.5
April	6.8	1.7
May	4.0	2.9
June	0.9	2.8
Total		
Jan.-June 1956	21.9	10.7
Jan.-June 1955	16.5	17.5

To promote exports, Rangoon reduced the price for rice and allowed exporters there to keep 20% of foreign exchange earned from exports for free imports. Since last year, commercial ties between Burma and China strengthened with improved diplomatic relations in spite of the pending dispute over the frontier line. Peking was helping Rangoon to build up a textile centre in Burma with China providing machinery, equipment, technicians and structural steels and other building materials for the project. Under these circumstances, HK as a supplier, lost its importance to Rangoon.

Trade with Europe

Switzerland sent here more textiles, optical goods, watches and clocks than during the same period last year. Swiss cotton dominates HK ladies' fashion this summer. Smuggling of watches to various markets remained active; during the period over 2,000 watches were seized by the Preventive Service. West Germany provided keen competition in the local market for Japan in the sales of machinery, electric appliances, toys and sundries but imports of dyestuff and chemicals from this country declined. Belgium provided almost all the steel sash bars used here for windows in new buildings, and shipped via HK fertilizer to China. Imports of paper from Europe slowed down due to the lack of supply from Denmark, Finland, Norway and other producing countries. Imports of pharmaceuticals and industrial chemicals from France, Italy, and other European countries declined because of the weak demand in the local

market. Exports from here to Europe consisted chiefly of HK manufactures and China produce which were maintained at more or less the levels of Jan.-June 1955.

Countries	Imports from		Exports to	
	(in million HK\$ for Jan.-June period)			
	1956	1955	1956	1955
Austria	11.6	2.9	29.9	39.2
Belgium	54.7	42.5	5.9	4.7
Denmark	2.5	2.9	2.3	3.3
Finland	0.8	1.1	0.4	—
France	13.6	15.0	10.5	8.3
Germany (West)	59.2	76.4	22.1	15.4
Italy	16.8	18.0	3.6	3.1
Netherlands	33.3	30.9	10.9	8.2
Norway	2.3	2.3	2.5	2.1
Sweden	11.0	9.2	3.1	3.1
Switzerland	62.8	49.5	1.9	1.9
Total	268.6	250.7	93.1	89.3

Trade with Other Countries

India increased budget for the purchase of industrial supplies and equipment. To HK, India exported more groundnut oil, cotton seed oil, cotton yarn, etc. Pakistan cotton yarn enjoyed very strong demand in the local market; as a result, imports from Pakistan during the period almost doubled that for the same period last year. Trade with Ceylon improved slightly as compared with the first six months last year with more tea and other produce from Colombo and increased exports of HK manufactured goods including enamelware, knitwear, shirt, plastic goods, etc. Imports from Australia remained at 1955 level but exports registered an increase of \$4.8 million consisting chiefly of China produce and HK manufactures.

From New Zealand, HK imported more frozen meat and exported in return, sawn timber processed here from logs imported from North Borneo. HK cement and sugar constituted the major portion of exports to North Borneo. Okinawa provided steady demand for cotton textiles, wheat flour, foodstuff, toilet articles and other consumer goods. US servicemen there also ordered wearing apparel (including leather shoes) from here. Exports to Africa remained active throughout the six-month period. Compared with same period last year, shipments to British West Africa increased by \$5.2 million but exports to British Central and East Africa dropped by \$6.1 m.; exports of HK manufactures rose and fell proportionally. The decline was due to increased competition from Japanese and Chinese goods in African markets. Purchasing power in this area also weakened by the drop in exports of coffee and other staples.

Prospects

Out of the increase of \$461.4 m. in exports during the six-month period this year as compared with same period 1955, only \$61.4 m. or 13.3% represented the improvement in exports of HK manufactured goods. Export of HK manufactures is meeting more and more obstacles in various markets and only UK remained a staunch buyer though not without complaints. So far most local industrialists carried on their production without much improvement either in quality or in management to meet the increasing competition from Japan and China. They were too busy struggling with the rising cost of raw materials, import restrictions in various markets, pending increase in freight rates, and competition among themselves. In short, they depended more and more on very cheap local labour. If these obstacles remain during the second half this year, exports of HK

THE FARM PROBLEM

By Paul de Hevesy

Though agriculture is the very foundation of all human activity, it constitutes only one part of man's economic life. It should therefore be brought into conformity with the general economic system. Nowhere in the free world is current agricultural policy in line with the fundamental principle of capitalism: competition.

The farmer demands protection by subsidies, claiming that many manufacturers and traders, protected by tariffs and combines, employ these expedients to evade competition, thus injuring his interests and those of the consumer in general.

Subsidies paid to the farmer do three grave disservices to the consumer: they maintain unsuitable soils under cultivation; they enable inefficient farmers to remain inefficient; and they ensure excessive prices to efficient farmers cultivating suitable soils. Yet, in spite of heavy subsidies, farmers everywhere are dissatisfied and far from prosperous.

Tariffs and combines, by maintaining both the inefficient and the high-cost manufacturer and trader in business, raise prices and thereby lower the standard of living of the consumer. However, as long as tariffs and combines prevail, agricultural subsidies also must prevail.

In spite of all these abuses, the immediate economic prospects are decidedly hopeful; yet the continuance of the farmers' world-wide plight may ultimately result in a general depression. This disquieting outlook prompts me to submit, in all modesty, the following proposals:

(1) The farmer and the manufacturer have not only to sell but also to buy. Neither of them can be expected to sell his few products cheap in the open market and to buy his numerous requirements, both professional and personal, dear in the protected market. Agricultural sub-

sidies and customs duties should, therefore, be gradually diminished and finally abolished. Industrial and commercial conspiracies against the consumer—such as trusts and cartels—are, thanks to the Sherman Act, less prevalent in the United States than elsewhere. They should be broken up everywhere by means of countervailing legislation. If all these measures were taken, the prices of all goods would be brought into their proper relations and parity prices would prevail without subsidization.

(2) Prices are far too serious a matter to be left to the whims of sectional interests or even of national governments. They should depend on the combined decisions of all consumers and all producers of all commodities throughout the world. Then the varying pressure of supply and demand would effect the reciprocal adjustment of all prices. Price-fixing, whether by public authority or by private decision, prevents this adjustment. The consequence is that capital resources are often misapplied.

(3) At the present juncture, markets cannot be freed and national and international competition cannot be initiated without the prior withdrawal of redundant farm products in the main food-exporting countries. Otherwise, farm prices would collapse. By concerted international action, these unsaleable surpluses should therefore be withdrawn from the market and held everywhere as security stocks against any emergency. These stocks should not be put on sale without the consent of the Food and Agricultural Organization of the United Nations.

(4) These measures having been put into effect, competitive farming should take the place of subsidized farming, and national and international trade in farm products—and later in all other products—should be set free from State control. Prices must cease to be political issues.

(5) The State should abstain from all commercial activities, which should be exclusively entrusted to independent merchants, whose experience and competence present a reassuring contrast to the ineptitude of public functionaries unwisely vested with mercantile powers.

(6) One of the principal functions of trade is to clear the market of redundant stocks before they become burdensome.

(7) In accordance with the law of large numbers, the average yield per acre of plants grown throughout the world shows little variation from one year to another. For, the larger the territory investigated, the smaller the yearly variation in yield: the smaller the territory investigated, the larger the yearly variation in yield. If the world is regarded as one single estate, the variation in yield per acre is insignificant; for a lower yield in some parts of the world is always compensated for by a proportionately higher yield elsewhere.

The world crop of such widely cultivated plants depends almost exclusively on their sown area, which, in turn, depends mainly on price. Since the prices that the farmers receive for their crops are arbitrary, the planted area, and therefore the harvested amount of single crops throughout the world, become also arbitrary and do not correspond to world demand. It is the granting of arbitrary prices that has caused over-production in various foodstuffs during the last few years.

(8) Hence the problem of wheat, and indeed of all major world crops, can be solved only on an international basis: in fact, only on the basis of world-wide free trade.

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manufactures may decline and it is doubtful whether the improvement during the first six months could be maintained. With a growing population and not enough jobs, manufacturers will force wages to remain at the lowest possible level.

The ease of embargo on China is not likely to bring much improvement in HK exports to China; it might further curtail China's purchases from the local market. Re-exports of Japanese goods to SE Asia will definitely drop during the second half year. This would curtail imports from Japan. Indications are that both imports and exports during the second half year would be slightly lower than the first six months; the decline will not be steep in trade with China, and Europe but trade with Africa, Japan, SE Asia and Korea is full of uncertainties. On the other hand there might be a slight improvement in trade with UK and US.

(9) When freedom of trade prevails, neither over-production nor under-production of single commodities is likely to occur in the world, or, if it does, to last any length of time. And, without excess or scarcity, prices are unlikely to be either too low or too high.

(10) Should, against all probability, inordinately low farm prices occur, their full impact should not be allowed to fall on the farmers alone, but should be spread over the entire economy. In such an emergency, the farmers should be assisted, not by subsidies, but by moderate monetary grants. Such grants to the hard-hit farmers would neither influence the prices of farm products nor violate man's fundamental right to trade freely. On the other hand, should farm prices become inordinately high, this would stimulate production, which, in turn, would result in lower prices.

(11) Something must be wrong with an economic system responsible for huge unsaleable surpluses. The main fault lies in the method of marketing, which is unprincipled and disorderly. Many people are unaware that the most orderly method of marketing is free trade. Today, when the means of production and of transport have immensely improved, this is more so than ever before.

(12) Free trade, which made the English-speaking peoples prosperous and happy, should be gradually but enthusiastically resumed. Small palliatives by well-meaning but ill-informed politicians will not save the free world from sinking into an economic morass.

(13) If free trade were to be supplemented with an ever freer movement of man, capital, and knowledge, unemployment would decrease, production would increase, and less potential wealth would remain unexploited throughout the world than at present.

(14) Behind the Iron Curtain prices of all commodities in relation to wages are much higher than anywhere else. This is mainly due to central planning and price-

fixing, which exclude true competition, the only system by which goods of the highest qualities can be produced at the lowest costs and sold at the lowest prices.

(15) As time passes and education spreads throughout Russia, the Russian people may begin to think for themselves and to imbibe liberal ideas. Since competition was invented not by man but by nature, it cannot be perpetually suppressed. It is therefore by no means impossible that, having withdrawn behind their own frontiers, the Russians may adopt the competitive system as the foundation of their economy, which could then be integrated with that of the rest of the world. The open market would thus embrace the whole world, and an era of peace, freedom, and prosperity would ensue.

(16) The best incentive for the Russians to adopt the competitive economic system in their agriculture, industry, and trade, would be the example of constant prosperity in the free world. This prosperity cannot be achieved and maintained without affecting the reforms briefly outlined in this article.

(17) In the last resort, competition itself will decide which of the two systems shall triumph: competitive enterprise or dictatorial regimentation.

(18) The United States and Canada are continually extolling the merits of competitive enterprise; but, at least for trade in farm products, they do not practise what they preach. Yet men cannot attain the highest degree both of freedom and of prosperity unless markets are free. Interference with the activities of free men and with the functions of free markets imperceptibly leads to socialism—a good system for a besieged fortress, but a bad system for a free country.

(19) The confusion that prevails in the American farm economy is a warning that, without open markets, capitalism in general and the American way of life in particular cannot survive, let alone triumph.

ECONOMIC SITUATION IN JAPAN

Recent Business Trends

Recent Japanese economy has still further strengthened the tendency toward expansion since autumn of last year. The trend can be analyzed from the aspect of major economic indicators as follows: (1) Export—New records in export are being created one after another, US\$192-million in March and \$209.9-million in April. In consequence, the favourable balance of international payments reached \$50-million in March and \$52-million in April, indicating a level far exceeding the monthly average of \$22-million for January to April, 1955. Considered according to export categories, items such as ships, iron and steel and textile and fibre products are continuing since last year to show an especially favourable tempo. (2) Production—The average industrial index (1950=100) for the 1955-56 fiscal year reached 207.5. This is a 12.2 per cent increase over the average figure for the 1954-55 fiscal year of 185.0. The rate of increase is three times greater than that for the previous fiscal year, namely, 4.5 per cent. Industrial categories that showed conspicuous rate of increase were those closely related with export or consumption, namely: steel ships (85.7 per cent), secondary textile and fibre products (42.0 per cent), man-made fibre products (28.0 per cent), petroleum products (24.5 per cent), and primary iron and steel products (19.7 per cent). (3) Producer's Inventories—When the shift in producer's inventories accompanying such brisk

production tempo is observed, it may be firstly mentioned that moves to replenish raw material inventories have become fairly active. In other words, the raw material inventories index for March was 161.2 per cent (2.3 per cent above February). This level was 9.8 per cent higher than that for the corresponding term of the previous year. However, in spite of such upswing of raw material procurement, the increase of raw material consumption volume was also conspicuous due to marked expansion of production. Thus, the inventory rate, which indicates the mutual relationship of inventory volume and consumption volume, has swung down to 10 per cent lower than that for the corresponding term of the previous year.

(4) Plant And Equipment Investment—When the trends of plant facilities investment are examined, it becomes clear that the first half of 1955 was the period of greatest stagnancy in recent several years but subsequently a rapid upswing began due to business pick-up. The value of industrial machinery orders accepted for the 1955-56 fiscal year surpassed the level of the previous fiscal year by 72 per cent. (5) Consumption—Because national income increased due to export expansion and bumper rice crop, consumption also registered a slow upward curve since around the summer of last year. The national total of department store sales for January-to-March period was 11.7 per cent greater than that for the corresponding term of the previous

year. (6) **Employment**—The unemployment total has recently increased in spite of brisk economic activity. Totally unemployed workers for March reached 1,060,000. The yearly increase of the jobless despite favourable export tempo and the increase of domestic investment and consumption appears to lead to the conclusion that—in addition to the surplus of Japanese labour population—the advance in industrial technique and the progress of plant modernization and rationalization are operating toward economy of employment rather than toward increase of employment. It is a distressing issue confronting Japanese economy that the employment problem remains unsolved in spite of the improving economic situation.

Recent trends in Japanese economy have shown a level one stage higher than hitherto with the exception of the employment angle. This is because of the more active investment in plant facilities and inventories, on top of the favourable tempo of export; and the expansion of consumption resulting from the increase of individual income. Recently there has come to the fore a trend toward the gradual increase of the weight of domestic demand, concurrent with the gradual decrease of the weight of export—export which hitherto has been the starting point and moreover the main supporting pillar of brisk business.

Recent Commodity Price Situation

(1) **Trend Toward Rising Prices:** Domestic commodity prices showed a slow but steady upswing since the second half of last year. However, the Government-announced wholesale commodity price index (1950=100) became 161.2 in April, a 1.3 per cent increase over the previous month. Furthermore, the rate of increase from the beginning of the year to May has already reached 4.6 per cent, a three-fold figure compared to 1.5 per cent registered during the corresponding period of the previous year. The price upswing till the end of last year was focused on such items as iron and steel and non-ferrous metals that reflected the expansion of export and the brisk weather of overseas markets. Entering this year, a fairly long list of commodities which were weak or comparatively stable during last year, such as machinery, textiles and fibre products, building materials, chemicals have shown price upswings. This is considered to be the result of the price increase of imported raw materials and basic materials gradually making its effect felt upon the finished products. The background which made this possible was the strong domestic demand.

(2) **Worsening Trend of Japan World Price Differential:** What is viewed with apprehension in connection with the up-trend of commodity prices is the tendency toward the aggravation of Japan-world price differential. When the recent aspect of the ratio of Japanese and international prices is analyzed as a whole, it is difficult to ascertain so conspicuous a change but there remains numerous problems when major commodities are considered individually. In fact, commodities such as iron and steel and ammonium sulfate whose Japanese prices were higher than the world level hitherto have moved to a still higher level, while items such as cotton yarn and rayon staple whose Japanese prices were lower have moved up closer to the world standard. Two principal causes for the worsening of the Japan-world price differential of such major commodities are the soaring of marine freight rates and the upswing of domestic commodity price level. The increasing number of items registering price upswings and the worsening trend of Japan-world price differential are the peculiarities of recent commodity price trend of Japan. Consequently, there is a probability that the favourable tempo of export will be checked from this direction in the future. If export trade hits the ceiling and domestic demand swings up, the con-

sequent reversal of the balance of international payments cannot but affect domestic business. If Japan is to look to a stabilized development for her economy, there arises an increased need for strengthening the policy for the maintenance of currency value. As a step to achieve the objective, a flexible currency policy will be of importance.

Financial Policy

The Japanese financial world has experienced transformations since last year: Bank of Japan loans to general financial organs decreased suddenly, bank deposits increased, the over-loan condition was liquidated, and loan interest rate fell. Major factors which made these changes possible were the favourable balance of international payments and the disbursement of a great volume of Government funds to private circles due to the bumper rice crop. As the result, deposits in banking institutions suddenly expanded, the increase during 1955-56 fiscal year reaching 23.1 per cent. On the other hand, the increase of loans during the same period was only 11.3 per cent, the general trend being rather sluggish when compared to the rate of increase of bank deposits. As the result, a part of the inflow of Government funds remained as reserves in the hands of the city banks, the over-loan situation was liquidated, and the Bank of Japan loans to city banks became almost zero. During last year, the redemption and contraction of Bank of Japan loans staved off increased circulation of currency and functioned to check inflation. In addition, together with the easing of the money market, interest rate on loans swung down rapidly, the national average of city bank interest rate at the end of March, this year, dropped as low as 8.6 per cent per annum and consequently the range of annual drop became 0.49 per cent. The easing of the money market since last year has thus been marked, while the redemption of Bank of Japan loans by almost all city banks resulted in the fact that the Bank of Japan lost its power of regulating finance as a central bank. This brought to the fore the problem of Bank of Japan's selling open market operations and the reserve system as new policies for the adjustment of the money market.

(1) **Selling Open Market Operations:** The Bank of Japan's selling open market operations against city banks, as a means of adjusting the money market volumetrically, commenced in November, last year, in the form of individual transactions between the Bank of Japan, and the city financial organs. The system was subsequently revised into a formula under which the Government offers short term debentures for public subscription directly to city financial organs. This system was put into operation under following conditions: Term—60 days; Interest—5.3 per cent per annum; Condition—The Bank of Japan will buy at any date after the stipulated "binding" period of two weeks. In order to make the existing formula more efficient, financial circles expressed the hope for the revision of this system. It is expected that, as long as the excess disbursement of Government funds due to excess receipts in international payments continue, it is anticipated that the need for the volumetric regulation of financial circles will become increasingly important.

(2) **Reserve System:** The basis for the advocacy that the reserve system should be speedily inaugurated is the viewpoint that the selling open market operations themselves cannot necessarily achieve 100 per cent effectiveness. Both the Government and the Bank of Japan circles are hoping for the inauguration of this system and there is a possibility of its materialization. Be that as it may, considering that the current selling open market operations formula is adequately fulfilling the function of a financial regulation measure, there is seen no particular necessity for hurrying the inauguration of the reserve system. Though it

ECONOMIC REPORTS FROM JAPAN

Foreign Exchange Receipts and Payments in First Half of 1956

Foreign exchange receipts from exports and payments for imports, both including invisibles, during the first half of this calendar year showed a favorable balance of US\$249 million with the receipts of \$1,565.5 million and the payments of \$1,316.5 million. If deferred payments of \$106 million for usance bill imports and others should be taken into account, the black figure would be reduced to \$143 million. Export and import of goods were \$1,177.3 million and \$1,099.9 million respectively, which were up by 34 percent and 21 percent respectively over the corresponding period last year, and resulted in a favorable balance of \$77.4 million.

During the six-month period, there were marked increases in exports of textile goods and vessels. Exports

can be said that the financial situation of Japan is moving toward normalcy, it seems best to adopt a system most appropriate to Japan after examining the reserve systems of other nations because there exists a number of circumstances peculiar to Japan.

Outlook

The favourable tempo of export continues unchanged and the annual level of \$2,300-million will be attained if the actual export record for the January-April period is converted to per annum basis. Consequently, it is certain that the last year's record of \$2,100-million will be exceeded. But considering the fact that last year's export showed an increase of 23.4 per cent over that of two years previous, the downswing of this year's rate of export increase cannot be avoided. It seems that export's effect on business activity will gradually decline.

Regarding consumption demand, considerable activity can be expected because of the increase of national income (8.4 per cent) compared to the previous year, resulting from last year's bumper rice crop and the upswing of general economic activity. The purchasing power of farming villages which is temporarily in the form of bank deposits will begin to enter the market. The labour offensive this spring has elevated the wage level to a considerable degree.

A considerable expansion in plant and equipment investment can be expected due to the fact that there is emerging a shortage of production capacity in a section of the industrial world due to export expansion and active domestic demand; plant and equipment investment for expansion and rationalization is being conducted on the background of keen competition among enterprises. Regarding inventory investment, it will be fairly active because it will directly follow inventory readjustment. Thus the level of investment as a whole will swing upward.

It is anticipated that domestic demand, both investment and consumption, will become active to a considerable degree. There is a fear of a continuation of the gradual climb of commodity prices. Japan, which is influenced by overseas business tempo, must give consideration to the adjustment between foreign business and domestic business tempo. Japan must, on one hand, adopt a flexible financial policy and make use of foreign currency with efficiency, and, in conjunction with them, endeavour to elevate productivity through the modernization and rationalization of all phases of industrial life.

of textiles amounted to \$422 million, showing an increase of \$100 million from the comparable period last year. The rise in textile exports was mainly accounted for by cotton goods with \$204 million and chemical textiles with \$133 million, which were \$57 million and \$31 million larger respectively than the same period last year. Exports of vessels totaled \$112 million, or an increase of \$86 million over the like period last year. There was a spectacular increase in imports of metal minerals. Imports of raw materials for textiles increased slightly. On the contrary, imports of foodstuffs declined by \$30 million compared with the similar period last year due to the bumper rice crop of last year and decreased prices abroad.

In the invisible trade, receipts totaled \$388.1 million, of which those from special procurement orders aggregated \$281.6 million, while payments amounted to \$216.6 million, leaving a favorable balance of \$171.5 million. Foreign exchange transactions (visible and invisible) in June: receipts from exports \$295.1 million and payments \$253.2 million, showing a favorable balance of \$41.9 million. Foreign exchange receipts and payments in connection with export and import of goods during the month recorded unusually high \$223.2 million and \$205.6 million, respectively.

Fertilizer Exports

Fertilizer exports during the current fertilizer year (August 1955 through July 1956) are estimated to be so good as to overtop the \$50 million level. Major reasons for the active export of fertilizers: (1) Chemical fertilizers, especially nitrogenous fertilizer, are rapidly growing popular in China, Taiwan, and Southeast Asian countries, and (2) Because of the recent worldwide rise in ocean freightage, Japan has come to stand in a more advantageous position than other foreign suppliers so far as these areas are concerned.

Under these circumstances, export prices of fertilizers, especially nitrogenous fertilizers, were recently on upward trend. Price of ammonium sulphate to Taiwan, for example, is US\$60.10 FOB per ton in the current fertilizer year, though it was \$58.40 in the 1954 fertilizer year.

Exports of fertilizers in the 1955 fertilizer year as compared with the preceding fertilizer year are:

Item	1955 Fertilizer Year	1954 Fertilizer Year
Ammonium sulphate	488,922 tons	479,013 tons
Urea	149,863	15,793
Ammonium chloride	11,760	5,500
Ammonium nitrate	3,201	1,600
Calcium cyanamide	10,252	33,364
Superphosphate of lime	289,022	276,873
Thomas meal	10,658	15,310
Soluble phosphatic fertilizer	30,382	20,462

Cement Industry

The production in June was 1,065,710 tons, which is 4 percent less than in May but 25 percent more than the corresponding month last year. The total output for the six-month period of the first half of the present calendar year became 6,040,205 tons showing an increase of about 1,097,000 tons or 22 percent from the like period last year. Producers' delivery during June amounted to 1,039,629 tons showing only one percent decrease from the preceding

month. But when compared with June 1955, it still made a 20 percent improvement. The total delivery during the January-through-June period rose to 5,960,597 tons, which is 1,072,000 tons or 22 percent more than the similar period last year. Demand for cement in Japan generally rises in the second half of the year. Breaking this usual pattern, this year witnessed a rise of demand in the first half of the year, for which the following is responsible:

a) Because of the Government budget for 1955 fiscal year, many public works were retarded. Thus they clustered in the October-March period. On top of that, building activities in connection with the government projects under 1956 fiscal budget were smoothly started as scheduled. b) Thanks to the unusually mild winter this year, civil engineering works made good progress. c) Encouraged and supported by the brisk business condition continuing from last year, businessmen's enthusiasm for construction of buildings has never been dampened. d) Cement export has been continually brisk. e) Price of cement has been slightly declining to draw more buyers.

Machinery Orders

Leading machine makers are still obtaining large orders from such industries as iron/steel, chemical, oil, paper/pulp, chemical fiber, and machinery. Machines most heavily demanded include electrical machines, prime movers, machine tools. An optimistic view is generally held among the people in machine industry; the present high level of incoming orders will keep for some time. Their optimism is based on the following reasons: 1. Iron/steel, chemical, oil, paper/pulp, chemical fiber, and electric power industries have already finished drawing of their plans for plant rationalization and expansion which call for larger quantities of machines and equipment than in 1955. 2. Demand for plant equipment for export is expected to increase in view of investments in Southeast Asia and South America, and reparations to the Philippines and Burma.

Raw Silk Production

Raw silk produced during the first half of 1956 calendar year amounted to 133,730 bales (1 bale = 132 lbs), showing a 19 percent increase from the 112,445 bales for the corresponding period last year. Of the total output, dupion silk accounted for 9,684 bales (37% up over the same period last year), hand-reeled silk 18,818 bales (29% up), and machine-reeled silk 105,228 bales (16% up). Exports of raw silk during the six-month period amounted to 32,939 bales, seven percent more than the like figure of last year, of which 22,606 bales (22% up over the comparable period last year) went to the United States, and 10,333 bales (15% down) to other countries. The exports consisted of 25,895 bales (1% down) of regular silk and 7,044 bales of dupion silk (56% up). Government purchase of raw silk reached 4,703 bales during the period under review, and the delivery at home amounted to 99,421 bales, showing a 16 percent rise over the 85,927 bales for the period a year ago.

Building Construction

Under the influence of the good business continued from last year and also the relaxed tight-money situation, construction industry has conspicuously been activated. Prices of construction materials, especially steel, are consequently on the upgrade. Unprecedentedly many buildings were started for construction this year. Those newly begun covered 824,000 tsubo (1 tsubo = 36 square feet) in January, 912,000 tsubo in February, 1,071,000 tsubo in March, and 1,006,000 tsubo in April, totaling 3,813,000 tsubo, which is some 580,000 tsubo or 18 percent more than

the corresponding period last year. One of the salient points about the increase of buildings during the first four-month period is that ferro-concrete buildings showed much higher percentage than wooden houses. Steel-framed buildings occupied 177,000 tsubo and the reinforced concrete buildings 636,000 tsubo showing 63 percent and 55 percent increases, respectively, from the similar figures of last year, whereas wooden houses covered 2,830,000 tsubo, only a 5 percent advance from a year ago. Pickup in the building industry is attributable to the following reasons: a) New and additional construction or remodelling of factories has been increased. b) In the commercial world, department stores and other commercial houses are enthusiastically going for new buildings, annexes, or remodelling of old buildings. c) Thanks to the easeup of the tight-money situation, loans are comparatively easily granted for the purpose of building theaters, hotels, and others of similar nature. d) Makeshift buildings constructed immediately after the end of the war have apparently come to the stage when replacement with more permanent ones is necessary, in which are included residential houses. e) Farmers are interested in having their houses rebuilt for better ones since they obtained sizable amount of money because of the bumper crop last year.

JAPAN—TAIWAN TRADE AGREEMENT

Since the signing of the Sino-Japanese Trade Agreement in September 1950 up to the end of last February, Taiwan exported to Japan goods totalling US\$316 million and imported from Japan goods totalling US\$292 million. This shows a favorable balance of US\$24 million in the visible trade with Japan. The trade volumes in the various years are as follows:

	Taiwan's Export to Japan	Taiwan's Import from Japan
	(in US dollar million)	
1950 (Sept.-Dec.)	11.094	19.141
1951	38.698	39.926
1952	62.017	49.834
1953	59.326	54.026
1954	51.905	61.941
1955	80.378	59.049
1956 (Jan.-Feb.)	12.777	8,303

The main items of export are sugar and rice. Imports from Japan are mostly fertilizers, metals, machineries, and pharmaceuticals. Cotton yarn and cloths, which ranked second in importance in the 1951 imports from Japan, fell to the 13th place in the 1955 imports as a result of increased cotton textile production at home. Chemical fertilizers, on the other hand, rose from the 4th place in the 1951 imports to the first place in the 1955 imports from Japan.

Following are two tables showing the breakdown of Taiwan's exports and imports under the trade agreement with Japan during the last six years:

EXPORTS FROM TAIWAN UNDER SINO-JAPANESE AGREEMENT

Items	Sept.-Dec. 1950	Jan.-Dec. 1951	Jan.-Dec. 1952	Jan.-Dec. 1953	Jan.-Dec. 1954	Jan.-Dec. 1955	Jan.-Feb. 1956	Total	%
	Unit: US\$1,000								
Sugar	9,515	21,281	41,821	38,795	36,017	38,409	11,232	196,570	62.1
Rice	—	9,366	14,126	10,517	7,848	32,764	—	74,618	23.6
Tea	22	120	20	19	33	39	106	360	0.1
Salt	865	2,994	1,762	1,463	953	1,927	473	10,139	3.2
Citronella Oil	76	805	165	180	291	447	38	1,502	0.5
Banana	436	2,501	2,299	2,995	4,551	3,763	367	16,912	5.3
Coal	—	—	150	2,679	27	348	70	3,284	1.0
Canned Pineapple	71	289	450	800	634	731	154	3,179	1.0
Camphor	—	40	24	35	34	70	20	223	0.1
Paper & Pulp	—	133	1	136	356	354	99	1,084	0.3
Chemicals	—	—	115	337	44	14	—	510	0.2
Metals	—	64	85	20	7	1	—	177	0.1
Feathers	—	27	67	—	—	—	1	96	0.1
Hat Bodies	1	80	164	106	30	11	4	396	0.1
Others	109	1,493	1,253	1,543	1,035	1,499	212	7,148	2.3
Total	11,094	38,698	62,017	59,327	51,906	80,378	12,776	316,195	—

IMPORTS FROM JAPAN UNDER SINO-JAPANESE TRADE AGREEMENT

Items	Sept.-Dec. 1950	Jan.-Dec. 1951	Jan.-Dec. 1952	Jan.-Dec. 1953	Jan.-Dec. 1954	Jan.-Dec. 1955	Jan.-Feb. 1956	Total	%
	Unit: US\$1,000								
Chemical Fertiliser	4,955	4,126	6,753	8,289	15,250	19,602	1,923	60,898	20.8
Beans	—	2	440	—	24	9	23	468	0.2
Bean Cake	—	—	131	—	4	—	—	135	0.1
Wheat and Flour	406	150	5,513	4,629	961	473	—	12,137	4.2
Peanut	17	2	—	—	—	—	—	19	—
Milk Products	—	1	—	—	—	—	—	1	—
Salted Fish	10	161	94	356	483	71	—	1,175	0.4
Cotton Yarn	451	1,127	2,270	2,989	2,877	1,113	204	11,030	3.8
Cotton Cloth	—	—	305	—	236	337	—	—	—
Cotton Piece Goods	4,178	5,672	1,243	209	35	26	—	13,942	4.8
Wool, Rayon & Products	—	—	879	144	321	354	3	—	—
Leather Products	26	171	154	1,001	1,493	2,195	39	5,079	1.7
Ramie & Products	1	1	—	1	1	—	—	5	—
Lumber & Products	—	17	23	35	92	6	—	178	0.1
Ores, Metals & Products	64	381	144	433	231	253	330	1,836	0.6
Machinery & Tools	2,480	6,234	8,047	8,645	9,918	11,007	2,092	48,423	16.6
Electric Materials	2,172	5,059	7,618	8,048	9,050	7,550	1,123	40,700	13.9
Bicycles & Products	407	1,377	872	998	1,481	937	171	6,243	2.1
Vessels & Products	1,014	702	1,143	1,152	815	691	85	5,602	1.9
Chemicals	294	1,160	2,241	2,185	2,392	1,241	74	9,537	3.3
Pharmaceuticals	133	975	419	1,021	1,193	1,346	316	5,403	1.8
Chinese Medicine	320	1,544	1,929	2,026	1,925	1,699	467	9,907	3.4
Dyestuffs	—	—	52	159	37	18	11	277	0.1
Glass & Products	13	417	166	266	447	327	158	1,794	0.6
Rubber & Products	90	335	447	740	586	474	74	2,746	0.9
Paper & Pulp	475	1,486	1,623	775	1,422	956	199	7,836	2.7
Oils & Fats	131	546	502	532	585	785	155	3,256	1.1
Crude Oil	13	338	163	108	378	318	58	1,376	0.5
Others	1,490	7,908	6,707	8,284	9,664	7,209	801	42,068	14.4
Total	19,140	39,927	49,834	54,025	61,941	58,997	8,303	292,161	—

Taiwan's exports to Japan under the trade agreement averaged about 50% of total exports, and imports from Japan averaged over 55% of total imports. As shown in the following figures, the percentages were especially high in 1955.

	Percentage of Exports to Japan in Total Exports	Percentage of Imports from Japan in Total Imports
1951	41.6	47.4
1952	51.9	43.2
1953	45.9	58.7
1954	53.1	56.2
1955	60.2	64.4

In recent years, the world trend has been shifting toward freer exchange and trade. Barter trades, which boomed as a post-war product, are losing their ground. Under such circumstances, one is prone to question whether the barter trade agreement between China and Japan should be continued. It should be noted, however, that notwithstanding the disadvantages of the trade agreement, such as price padding, and the lack of choice for competitive products made by other countries, it has been instrumental in bringing about the trade expansion between China and Japan in the past few years. Once a market is established, there is naturally a reluctance to risk losing it and to find new ones.

It is generally realized that in the long run free and multilateral trade is distinctively more advantageous to all parties, and every country should gradually adapt itself to free trade conditions. It is only for practical reasons that the trade agreement with Japan, which expired on March 31st, was again renewed for the year 1956-57.

Talk on the negotiation of the 1956 Trade Plan under the Trade Agreement was started in Taipei on February 27th by the representatives of the two governments. The Trade Plan would fix tentatively the kinds and quantities of goods to be traded each year, and for the past few years it has also fixed the price of Taiwan sugar.

The signing of the Trade Plan this year was much delayed by prolonged bargaining on the part of the Japanese delegation for lower price of Taiwan sugar. Since the sugar price offered by the Japanese delegation could not be accepted, it was finally decided that it be left out of the Trade Plan altogether. So, like the other commodities listed under the Trade Plan, there is no price fixed on sugar in this year's Plan.

The new Trade Plan was signed on May 29th to be retroactive from April 1st and effective for one year. It calls for a trade volume of US\$76 million for each side,

which is less than that of US\$94 million set out in the last Trade Plan. The decrease is caused mainly by the reduced amount set for Taiwan sugar. The new Trade Plan is indicative of the Government's policy to industrialize Taiwan in that a big portion of marine products, foods, and sundry goods has been replaced by machinery, hardware, industrial raw materials among imports from Japan.

The Trade Plan for 1956-57 is as follows:

Estimated Values of Taiwan Exports to Japan	
— (Thousands of US\$) —	
Sugar	US\$27,000
Rice	23,000
Salt	2,500
Coal	1,500
Banana	4,500
Canned Pineapple	2,000
Tea	300
Molasses	600
Hardwood (Hinoko)	1,500
Sugar Cane Pulp	600
Essence Oils (natural)	600
Camphor	500
Miscellaneous	4,500
Invisibles	7,000
Total	US\$76,100

Estimated Values of Taiwan Imports from Japan	
Chemical Fertilizers	US\$22,000
Textiles	3,000
Chemicals and Dyes	2,000
Locomotives & Vessels	3,500
Vehicles & Parts	2,500
Machineries	8,900
Electrical Equipments	2,000
Metal Products	10,000
Non-ferrous Metal Products	2,500
Pharmaceuticals & Medical Appliances	2,000
Lumber and Wood Products	500
Tires and Rubber Products	1,500
Paper and Paper Products	1,200
Marine Products (salted fish etc.)	1,500
Canned Goods	500
Farm Products	1,000
Porcelain Wares	2,000
Miscellaneous	2,500
Invisibles	7,000
Total	US\$76,100

KOREA'S AGRICULTURE AND FORESTRY

Recognizing that sound rural economy is the keystone of a stable national economy, the South Korean Govt. has aimed at an epoch-making increase of agricultural production, the development of a supply of rice enough to meet the needs of the population and the military personnel and to provide an export surplus. An export goal was set of one million suk (one suk is equal to 4.96 bushels) of rice annually. To achieve these goals, the Govt. made efforts to improve the quality of seeds, to import and distribute foreign chemical fertilizer at the proper times, to increase the production of domestic fertilizer, to reclaim lands, and to organize cooperative village working groups to cope with the problem of manpower shortage. In order to supplement or increase the farmer's income, the raising of animals

and the development of cottage-industries such as straw-handicraft production were encouraged. To advance afforestation, the Govt. increased information services on forest-protection measures among the people and executed afforestation, erosion control, peat production and home-oven utilization, and the more effective operation of forestry associations. To increase and disseminate scientific knowledge of husbandry, technicians and agents were dispatched abroad to study advanced methods of agriculture, while an agricultural extension campaign was waged throughout the nation. To protect and bolster the rights of the farmers, attention was paid to the development of farmers' cooperatives, unions, and other self-governing or joint marketing organizations.

Agricultural Production

Major stress was placed on increasing production of rice, with a setting of production goal of 16,657,248 suk. To achieve this goal, measures were taken to enforce seed treatment, seed selection, and improvements of rice seed-beds. By timely rainfall, together with ample fertilization, the transplantation of good quality seedlings was carried out. Fertilizer import was smooth and considerable progress in more modern methods of fertilization was made.

Production statistics by area and in relation to goals and previous average harvests are itemized in the following:—

City & Province	1954 Harvest (in suk)	Average Annual Production (in suk)	Ratio to Plan (%)	Ratio to Ann. Prod. (%)
Seoul	36,300	31,812	109	105
Kyongido	2,204,898	2,105,419	103	105
Chungch'angpukdo	736,346	726,779	84	101
Chungch'angnamdo	1,859,317	1,581,419	92	118
Chollapukdo	2,159,088	2,055,946	87	105
Chollanamdo	2,865,048	2,549,016	95	112
Kyongs'angnamdo	2,035,651	2,253,707	78	90
Kyongs'angpukdo	2,660,815	2,320,030	91	115
Kangwon-do	425,735	433,871	82	98
Cheju-do	19,544	20,987	110	98
Total & Averages:	15,002,762	14,058,985	90	107

The summer crop of barley was successful. The 1954 barley crop was up 48% compared to average annual output, up 27% compared with that of the preceding year, and 2% above the set production goals.

Cotton production was impaired by unfavorable weather during the growing season. Less than 50% of the production goal was realized. However, some net gain over the 1953 total of 79,143,725 keun (one keun equals 1.323 pounds) was registered, since the 1954 production of cotton reached 86,217,959 keun; this small increase in raw cotton production in 1954 stands in contrast to the more than 400% increase in 1953 totals over the 1951-2 output.

As a part of its policies to secure additional food resources for the population and to reduce and eventually eliminate the need for the import of molasses and starch for the purpose of alcohol production, the Govt. concentrated efforts on building up potato production in south Korea. In 1954, therefore, 167,467,583 kwan (one kwan is equal to 3.269 pounds) of potatoes were harvested.

A total of 475,132 families, an increase of 7,718 families compared with the previous year, were engaged in sericulture in 1954. A total of 376,046 cards of cocoons were hatched, yielding 1,528,804 kwan of raw silk.

Domestic vegetable seeds production rose to 8,000 suk during 1954—an amount sufficient to satisfy planting needs without resorting to import of vegetable seeds, which used to cost US\$100,000 each year. Also, considerable effort is being made by the Government and the vegetable growers to produce vegetables by using only chemical fertilizers, for the purpose of meeting the requirements of the United Nations Forces in Korea.

During the Fertilizer Year 1953 (August 1, 1953 to July 31, 1954), 542,088 tons of fertilizers was supplied to the farmers to meet their requirements. Ninety-eight percent, or 529,924 M/T, was procured with foreign aid funds, while 7,134 M/T were supplied from ROK foreign exchange. In a special measure to supply sufficient quantities of fertilizers to the restored areas north of the 38th parallel, the Government succeeded in shipping 2,097 M/T of nitrogenous fertilizers to the areas. In addition to the Government-sponsored importations of chemical fertilizers, civilian traders imported 5,030 M/T and an additional 6,324 M/T were domestically produced. Compost production was encouraged, with a view to supplement the chemical fertilizer supplies and to establish more self-sufficient household economies. A total of 4,800,000 kwan of compost fertilizer was produced in 1954, 10% in excess of the production target.

In view of the immense damage done by diseases and insects to the rice crop annually, both imported and home-made pesticides were distributed widely in order to curtail damage. For the purpose of eliminating rice rust and

harmful insects, 462,730 tons of pesticides were distributed free of charge to the farmers by the Government and through the assistance of the Korea Civil Assistance Command. The pesticides were sprayed in the early stages of diseases and pest infestations, thus minimizing their spread; this program contributed to the increase of agricultural production. Altogether, 788,174 tons of pesticides were imported, 987,858 tons were produced domestically, 1,271,597 tons were distributed—including the 462,730 tons distributed free of charge.

Farm Equipment Production: One of the counter-measures taken against drought conditions has been the encouragement of the production of water-pumps and motors by providing a 50% government subsidy in required manufacturing funds. A total of 897 pumps and motors were produced.

Agriculture Extension and Educational Services: Continuing the ambitious agricultural extension program set up in 1953, approximately 37,000 village agents were given ten days of specialized training in modern agricultural techniques and dispatched to various farming areas. Several hundred thousand copies of educational materials were published and distributed to the agents; titles of pamphlets covered such topics as: "Easy Civil Engineering on Farms," "Modern Pesticides," "How to Raise Silk-worms," "Rice Farming," "Honey Bees," "The Processing of Farm Products," "How to Use Chemical Fertilizers," and "Farm Management."

Liaison centers of some sort were found necessary for the village agents to maintain continuous contacts in the course of their instructional activities. Village training centers were established. Courses in adult education, housewives' problems, and farm techniques were given in these new centers. The movement to give extended education and training to boys and girls of ages 10-12 in rural communities based upon the Four-H philosophy ("Head, Heart, Hand and Health") has developed into 4,000 active clubs in the villages, with a total membership of 120,000. The Four-H movement was given special assistance from the American-Korean Foundation and the National Four-H Committee.

The program of selecting four improved villages from each city and country in order to make them models for others was carried over. Contests were held to give guidance and to raise the competitive spirit. Ten model farm villages were selected as national winners.

Farmland Improvement: It is essential for increasing rice production to adjust the harvest potential by securing additional water resources through irrigation. Only 44% of the paddy-fields are guaranteed adequate water resources by irrigation associations and cooperatives; the remainder depend on haphazard irrigation practices or uncertain rainfall. Through Government-sponsored projects such as water drainage, land reclamation, restoration of breakwaters, and pipeline installations, 35,528 chungbo of land were benefited; this resulted directly in production increases of 225,014 suk.

To continue the land reform movement, the total compensation to be paid for the land certificates issued for Government-purchased farm land was set at 10,759,684 suk; it is provided by law that an annual compensation of 2,151,936 suk be paid to approximately 250,000 former land-owners during the five-year period beginning in 1950. The compensation is not being made smoothly, however, because of unsatisfactory land payments resulting from war dislocations and bad crops in 1951 and 1952. Although the compensation for 1950 and 1951 was completed, that for 1952 is being made only currently because the money obtained from sales of each year's crop had to be allocated for the previous year's compensation. Of 3.9 billion hwan needed for compensation, 2.1 billion hwan has been paid and the rest will be released as soon as the money obtained from the sales of the 1953 crop is collected from the Ministry of Finance.

Efforts have been made to restore farmlands formerly owned and cultivated by some 212 Buddhist temples. These

lands had been previously distributed under the land reform laws to tenant farmers. By the end of 1954, approximately 33% of the lands had been restored to the temples' jurisdiction and ownership.

Of the total of about 8,000,000 pyongs of Government-vested waste-lands, 1,181,285 pyongs have been lent to farmers for reclamation in order to increase food production. An additional 1,485,438 pyongs of waste-land have been lent to the people for the possible development of salt-fields—on condition that whenever the Minister of Agriculture and Forestry deems it necessary the land will revert to the Government.

Forestry

The Govt. organized 21,257 forestry associations (Keh) in rural and suburban areas. Through technical guidance a total of 2,135,178 association members have devoted themselves to preventing forest fires, exterminating harmful insects, and apprehending violators of association regulations. For on-the-spot examinations and laying down an afforestation program, educators were sent to 1,665 forestry associations to stimulate activities. For coaching and supervising forestry associations, and for arresting those who violated forest protection regulations, 876 forestry policemen are stationed at the Forestry Bureaus in each Province. In order to curb further the tree-felling practices, the Govt. issued permits for only 450,000 cubic meters of cut trees in 1954, and this was in contrast to the 1953 tree-felling total of 900,000 cubic meters, half the total amount grown in an ordinary year.

Another conservation measure was a program of improving home oven operations in order to conserve fuel. A total of 3,930,000 tons of wood fuels was saved through improved designs and use of substitutes in 1954. Peat production has been stepped up and some 388,000 tons were used for household purposes.

To maintain and increase Government revenues from forests, a total of 1,568,000 trees were planted in 1954 in Government-owned bare or seriously denuded mountain areas under the direction of the Forestry Bureaus. In addition, some 166,400,000 trees were planted and 163,683 litres of seeds were sown in civilian-owned mountain areas. In preparation for future afforestation projects, civilian technicians and forestry association members produced 430,367,000 young trees. Forestry association members also collected 1,190,000 litres of seeds.

To help activate domestic saw-mills and to produce timber of Korean specifications, trimmed logs are imported. Beams and boards produced will be utilized for civilian construction.

Livestock and Husbandry

A Livestock Protection Law was promulgated in 1954, designed to improve animal husbandry, livestock marketing, and veterinary services. Livestock farmers associations were formed and also federations of livestock farmers associations as cooperatives. For the purpose of propagating animal husbandry and improving the varieties and species of domestic livestock and fowl, the Govt. designated pig-rearing villages in every city and county and chicken-rearing villages in every two townships. To enforce the new Livestock Protection Law, and in order to give technical assistance, 1,653 specialists were sent throughout the country. Livestock experiment stations have been established in each province; prevention of infectious diseases is emphasized chiefly and livestock owners attend special one month courses.

There are 724,023 cattle, 744,590 pigs, and 4,936,677 chickens. These totals are in excess of the total numbers of domestic animals and fowl in south Korea before the outbreak of the Korean War, and there are now more pigs and chickens than in the pre-Liberation period. However, still in short supply are milk cows (only 271) and sheep (748).

REPORTS FROM CHINA

Revolts in Tibet: A categorical denial of rebellions in Tibet was made by Liu Ke-ping, Chairman of the Committee of Nationalities Affairs of the National People's Congress. Liu said, "These reports about Tibet are probably fabricated from information about a rebellion which began many months ago in Western Szechuan on the border of Tibet." The revolt started around the end of February in the area of Batang and Litang, south of the Yaan-Lhasa Highway. Military measures against the rebels were carried out by army units. Liu claimed that the revolt had been "mainly settled" and its leaders treated leniently.

China-Burma Dispute: Peking declared that in the northern area of the Sino-Burmese border, normal relations had always been maintained between the two countries; Chinese frontier army units there had consistently been in their present position. Commenting on the Burmese Government's statement that in the southern area of the Sino-Burmese border, some Chinese troops had entered Burmese territory in Wa State and established outposts there, Peking stated, "The Burmese Government's statement did not mention that the area is an unsettled zone in the southern part of the Sino-Burmese border. With reference to the demarcation of this frontier, Burma has a different view from that of China. Under these circumstances, there is fundamentally no such question as crossing into the territory of Burma."

Socialist Transformation: Peking issued a new directive regarding the socialist transformation of private enterprises. It fixes interest rates on private capital in joint

state-private enterprises at 5%, basic, which may be exceeded in some cases. Formerly the interest rate was from 1 to 6%. In enterprises where a higher rate than 5% was fixed, there will be no reduction. Private investors of less than 2,000 yuan are eligible for free medical treatment. Those with investments above 2,000 yuan may also have free medical treatment depending upon their circumstances. Where the wages in the joint-operated enterprises are higher than those in state enterprises they will not be reduced. Where wages are lower, they will be increased gradually. Safety devices and sanitation facilities in the joint state-private enterprises will be improved by stages. The dependents of small owners who worked in the enterprises will be given the same kind of work, or some other appropriate arrangement will be made. The income of members of handicraft producers' cooperatives and transport cooperatives will not fall below what they earned before joining the cooperatives. Their income is to be increased on the basis of improved management. In case where there was a loss of income after joining cooperatives, members who wish to withdraw may do so and their shares returned. Small peddlers and stall-holders will be organized into cooperatives on a voluntary basis step by step. State enterprises will serve as wholesalers for these cooperatives and raise loans from the bank for them. The income of small traders and peddlers must be guaranteed.

Foreign and Domestic Trade: Peking claimed that silk exports were up 37% in the first six months this year compared with the same period last year. Sales in the domestic

market were 33% more. China now exports silk to some 60 countries. New markets were developed in Afghanistan, Iraq and Sudan. Exports of Anhwei's Keemun black tea and Tunki green tea were 23% over last year. The province's total tea production in the spring and summer this year increased 25% as compared with that of last year. Commodity sales by state and joint state-private enterprises in the first six months this year were 23.8% more in value than the same period last year: sales of cotton cloth up 47%; knitwear 14%; pork 89%; and eggs more than 100%. There was a marked rise in the sale of cotton prints following the publicity campaign for gayer dress. 50% more paper and 88% more fountain pens were sold in the first six months compared with the same period 1955. Sewing machines registered a 136% increase in sales. Supplies of consumer goods will go up in the second half this year according to Peking. Wang Lei, Vice-Minister of Commerce, estimated a rise in purchasing power of 14.4% this year. Cotton cloth supplies will be increased by 62% compared with the first six months, knitwear by 68%; sugar 70% and radio sets 174%.

Distribution of Dividends: The 1955 dividends distributed to Shanghai businessmen exceed 27 million yuan (about four million pounds sterling). This amount includes dividends from both joint state-private and formerly private enterprises. Dividends for state stocks in the joint state-private companies amount to 8,450,000 yuan. Total 1955 dividends are three times that of the previous year. Dividends of 32 state-private cotton mills amount to 5,100,000 yuan on the basis of a 5% annual interest. Private shares in these mills exceed 200 million yuan. Jung Yi-ien, General Manager and Head of the Board of Directors of the Joint State-Private Sung Sing Cotton Mill received more than 220,000 yuan of dividends. The Wing On Company made a profit of 56,000 yuan during the second quarter this year. The dividend for the first half this year exceeds 100,000 yuan (on the basis of 5% fixed annual interest). In Tientsin, joint state and private enterprises under foreign trade bureau distributed 29,000 yuan in dividends for 1st half this year to 38 private shareholders in Taiwan and abroad. These dividends were handed over to their agents and relatives. Dividends for private shareholders who have no representatives in China were temporarily deposited in the Bank of Communications. Private shareholders of joint state-private enterprises in Peking were paid 1.5 million yuan in dividends for the first half this year. The annual dividend rate for all private shareholders of joint enterprises was fixed at 5%. Earlier established joint enterprises received the original rate of 6%. Private shareholders of enterprises, which suffered losses before becoming joint-owned, were also paid at the rate of 5%. In Hankow, dividends and bonuses distributed to shareholders by the joint state-private Ming Sung Shipping Company for last year and the first half of 1956 totalled 4.62 million yuan. Beginning this year, the company will pay its shareholders an annual dividend of 8%.

Government Bonds & Private Savings: Peking boasted that subscriptions to the 1956 economic construction bonds amounted to 619,680,000 yuan, or 3.28% above target. The People's Bank of China announced that bank savings this year were up by 110 million yuan at the end of June compared with last December. The total stood at 1,670 million yuan. The bank is adding another 20,000 branches throughout the country to meet the expected rise in bank savings following the wage increases which will come into effect during the second half year.

Power Industry: China's state power stations generated 3.9% more power than planned during the first half year. This was an increase of 15.6% over the same period last year. The first steam power plant in Yen-an was completed

last month. Preliminary designing for a modern overflow type of hydropower station in Chekiang has been completed. The projected station will have a power generating capacity greater than the Fengman Station along the Sungari River. It will be located along the Sinan River some 100 kilometres from Hangchow. When completed in 1961 it will supply electricity to Shanghai, Nanking, Hangchow and the surrounding countryside.

Industrial Expansion: A new shaft mine of the Hokang Mining Administration in Heilungkiang began operations last month. In Shansi, 2 new coal mines recently began production. Total coal deposits in Shansi are estimated to exceed 400,000 million tons. Huainan colliery in Eas China also completed two new shaft mines. The Dairen locomotive plant now under reconstruction will increase its present capacity by 300% when the expansion is completed in 1958. Capital construction continued in Anshan and when all 48 new projects are ready by 1960, the Anshan Iron and Steel Company will have an annual capacity of 2.5 million tons of pig iron, 3.2 million tons of steel and 2.4 million tons of rolled steel. 132 factories are now being expanded in Tientsin. Production of these factories will be increased by 100%-500% following their expansion. One half of these factories belong to heavy industry and the other half to light industry. Tientsin is also building an insecticide factory. When completed early next year the factory will turn out 1,500 tons of "1605" liquid insecticide annually. The mining machinery plant now under construction in Loyang will be completed in 1958. In Shanghai woolen textile mills are being expanded. When completed before end of year, their annual output will be increased by two million meters. The new meat packing plant in Pengpu began production last month. This plant is one of the 9 meat-packing factories to be built in China during the first 5-year plan period. The paper mill now under construction in Nanping (Fukien) will be completed in 1958; it will produce 200 tons of paper a day. Partial operation will begin in 1957. A new rubber plant in Canton is now producing rubber gloves for surgical operations, cloud and wind testing balloons for weather forecasting and nipples for baby-feeding. Kwangtung is building 20 sugar refineries; the combined daily output will be 1,600 tons of sugar. Two other projects planned for this province are a canning factory and a bottling factory in Canton. The canning factory will have an annual output of up to 30,000 tons. A perfumery factory will also be built in Canton this year. The city authorities plan to set up a 330-hectare garden to supply the factory with raw materials. Four citronella factories will be set up on Hainan Island and Luichow Peninsula and go into production before year end.

Agricultural Output: The total area of high yielding crops, including rice, maize and potatoes, sowed during the spring and summer this year in Shantung reached over three million hectares. This is an increase of about one-fifth over last year. The increased acreage will yield an additional 500,000 tons of food. The increased acreage will yield an additional 500,000 tons of food. The total output of early rice now being harvested in Anhwei will be 1,350,000 tons more than last year. The per-hectare yield of early rice sown on 600,000 hectares this year averages more than three tons, or 30% more than last year's. The output of some places reaches 5.2 tons per hectare. The early rice output this year in the Pearl River Delta is estimated at 600,000 tons; 155,000 tons above last year. Large quantities of oil palm seed have just been sown on Hainan Island. Next year the saplings will be transferred to some 1,000 hectares of land. The wastelands and forests in eastern Kwangtung opposite the island have been confirmed to abound in subtropical resources. According to a survey just completed of over 200,000 hectares there, the area has rubber trees, coffee plants, coconut palms, oil palms and

forests of lichee trees over 300 years old. Camphor trees and over 100 kinds of medicinal herbs were found.

Railway Network: Construction started last month on the 200-kilometre Yumen-Heishanchia section of the Lanchow-Sinkiang Railway. The section passes through the Gobi Desert. Tracklaying on this 2,800 kilometres long Lanchow-Sinkiang Railway reached Yumen, 792 kilometres west of Lanchow in June. The Alashan pass in western Sinkiang has been chosen as the junction point between China's Lanchow-Sinkiang Railway and the Soviet Union's Turkestan-Siberia Railway. The projected international railway starts at Lanchow and runs through Sinkiang to Aktogai station on the Turkestan-Siberia Railway. Through traffic on this line will begin in 1960. Surveying work on the Lanchow-Yinchuan section of the 1,100-kilometre Pao-tow-Lanchow Railway was completed recently. This 473-kilometre section runs from Lanchow northeastward, crosses the Yellow River, cuts through the Great Wall, then traverses a desert area and finally reaches Yinchuan, a major wool and hide and skin trading centre in the Northwest. All major construction work preceding tracklaying along the 700-kilometre Yingtan-Amoy Railway will be completed end of this month. The railway between Hanoi and Lao Kay, a border town near China, was opened to traffic recently. Restoration work on this 296-kilometre rail line started last March.

Colleges and Academic Degrees: Applicants for college entrance examinations exceed 351,000 this year in

China. 41% of the applicants are middle school graduates and 22% are workers. 65,800 primary school teachers will take part in entrance examinations for teachers' colleges. 60% of the applicants expressed the desire to study technology, sciences and medicine. The degree of associate doctor can now be obtained in institutes of higher education in China. This year, 1,015 people will be accepted to study for this degree in geology, engineering, chemistry, physics philosophy, literature, medicine and agriculture. This degree has been established as a stage on the way to a full doctor's degree. Post-graduates will qualify after three or four years' study and together with the submission of a written dissertation and an oral examination. University graduates with over two years' experience in scientific, technical or teaching work are eligible to apply; non-university graduates with sufficient experience and ability for scientific research work, or university graduates with less than two years' experience but with a good record of study can also apply. China's first ship-building college has been established in Shanghai. The college consists of five departments specialising in the construction, dynamics, electrical engineering, machine building, economics and organisation of the ship-building industry. It will also provide evening courses for ship-building and machine workers. Construction of the first university in Inner Mongolia at the southern outskirts of Huhehot is now under way and will be completed by 1961. The university will accommodate 3,000 students.

ECONOMIC LETTER FROM MANILA

General Public Utilities Corp. of America will be allowed to retain the Manila Electric Co. as a subsidiary under provisions of a bill which passed the U.S. House of Representatives. The bill, which the House commerce committee reported as being favored by the Philippine government, would allow an exception to the present U.S. public utilities law which limits a utility holding company to operate a single integrated utility system. G.P.U. already controls an integrated system in New Jersey and Pennsylvania in the U.S. The House agreed with the G.P.U. contention that without the parent firm's continued managerial and financial aid, Manila Electric would not have the credit rating or management to get the added dollars it needs for expansion, which at present includes plans for an atomic generating plant.

The new Goodrich tire factory in Marikina, about ten miles north of Manila, is in the final stages of construction and will be in operation by October. The plant will produce 150,000 tires a year but has a capacity of 192,000 on the basis of 280 working days. This is equivalent to 50% of total Philippine requirements. In addition to highway and on-and-off-the-road tires for transportation and industry, the Goodrich plant will also manufacture camelback, repair materials and inner tubes. The factory, which is equipped with the latest and most modern machinery, will eventually be supplied, at least in part, with raw materials from a rubber plantation in Mindanao which Goodrich will operate in accordance with its agreement with the Central Bank.

The last eight 1,200-horsepower streamlined diesel-electric locomotives purchased by the Manila Railroad from International General Electric arrived in the Philippines.

Philippine trade with Australia showed a marked increase last year. Philippine imports from Australia in 1955 ran far ahead of Philippine exports. The imports from

Australia in 1955 were valued at \$4,858,500, as against \$2,909,000 in 1954; while exports came to \$326,500, as against \$214,500 the previous year. The Philippines could increase its exports to Australia by at least three-fold if it would take full advantage of measures which Australia has adopted to encourage such exports, such as extension of Most Favored Nation Tariff treatment, special tariff concessions on a number of Philippine products, and a decision this year to license the purchase of Philippine peeler logs for the production of veneers.

The Philippines and Indonesia signed an accord on the illegal entry of immigrants from each country to the other. The agreement, which was reached after three years of strained negotiations, provides for the repatriation to Indonesia of some 3,000 Indonesian nationals who entered the Philippines illegally. It provides, however, that certain others may stay provided they can furnish proof that they have lived in the Philippines since 1946 and have contracted valid marriages with Filipino citizens. The agreement also calls for the repatriation of illegal Filipino entrants to Indonesia, although the number of these is relatively small.

Total revenue collections of the Philippine government in the fiscal year ended June 30 totalled P528,000,000. This represents an increase of P37,000,000 over last year's collections of P491,000,000.

The Industrial Financing Corporation, a new finance company capitalized at P5,000,000, opened for business. President of the company is the well known Philippine business executive Antonio de las Alas. The firm will engage in instalment financing through dealers, discounting of promissory notes, granting of loans and mortgages, etc.

The People's Homesite and Housing Corporation announces that it has four housing projects under construction which will provide homes for 2,786 families at a total cost of P15,800,000. Sites have been acquired and plans are

underway for seven other projects which will house 4,934 families at a total cost of P33,300,000.

The California Manufacturing Co., Inc. which started manufacturing Royal brand macaroni products at its new factory in Makati, Rizal, on June 1, announces that it expects very shortly to reach a peak production capacity of 10,000 cases a month. The company anticipates that it will be able to supply the local demand for spaghetti and macaroni by August and begin exporting by October or November. The plant has the latest and most sanitary equipment and facilities, imported from the United States, and is even more modern, according to company officials than the plant of the parent company in California.

A system of priorities to guide financing institutions in granting loans, credits and other forms of government assistance to industries was approved in principle by the National Economic Council. Under the system, priorities will go to industrial projects that: 1. Will make the greatest contribution to national income. 2. Will improve the country's balance of payments position. 3. Will make the highest use of locally produced raw materials. 4. Will utilize domestic labor to the highest measure. 5. Will produce goods that meet the more basic needs of the country. The priorities formula was prepared by a technical committee representing the NEC, the Industrial Development Center, the Central Bank, the UN economic advisor to the NEC, and the Philippine Chamber of Industries.

The importance of high caliber business management in solving Philippine economic problems such as increased population, underemployment and limited industries was cited by Sen. Gil J. Puyat at the opening of the eight-week Harvard Advanced Management Training Program at Baguio City. The seminars for a selected group of Philippine business executives are in charge of professors from the Harvard School of Business Administration in the United States. The program is sponsored by the Harvard Club of the Philippines and a number of leading civic and business organizations, including the Philippine Association. Sen. Puyat declared that economic development does not necessarily follow from adequate resources of land, labor and capital, but that there is needed in addition a balanced and orderly direction, a direction that management training alone can guarantee.

Filipino families with gross annual incomes in the brackets between P30,000 and P75,000 pay a slightly higher amount of income tax than families with similar incomes in the U.S. In the brackets between P80,000 and P150,000 U.S. taxpayers pay slightly more.

The Cabinet renewed the government guaranty of P54,000,000 for the National Rice and Corn Corporation to finance a sustained buying program aimed at stabilizing rice and corn prices. P30,000,000 will go for buying locally

grown rice and P24,000,000 for importing supplemental amounts of the cereal from abroad. NARIC will borrow the P54,000,000 from the Philippine National Bank, with the government guaranteeing the bank against any loss in the transaction. So far, NARIC has been able to repay all its PNB loans.

Atlas Consolidated Mining and Development Corp. during the month of June treated 151,095 tons of ore averaging .74% copper and .01 ounce of gold per ton, from which it produced 4,484 dry short tons of copper concentrates averaging 20.28% copper and .12 ounces of gold per ton. The concentrates were estimated to contain 1,818,501 pounds of copper and 538 ounces of gold. Shipments to Japan during June totalled 1,612,996 pounds of copper valued at P1,315,721 and 434.2 ounces of gold valued at P30,392.

A bill providing for development of the government nickel deposits in Surigao by private capital is being reconsidered in the Senate, after running into heavy opposition in that chamber following its passage by the House. Sen. Jose C. Locsin, acting chairman of the Senate Committee on Agriculture and Natural Resources, indicated that he would attempt to prepare a compromise measure which would meet the objections of some Senators that the original bill was a "give-away" of valuable government resources and in addition granted legislative powers to the Secretary of Agriculture and Natural Resources. In passing the original bill, the House took the position that the government does not have the capital to exploit the nickel deposits and that the terms proposed for a private development company are those usually offered by the government in the lease of mineral properties.

Marinduque Iron Mines, Inc. will ship in July 5,500 tons of high grade copper ore to Japan. The ore averages 18 to 20% copper content. The stockpile of some 20,000 tons of this high grade ore the Company expects to finish shipping by the end of the year.

The Philippines gained a dollar surplus of \$16,000,000 during the first half of 1956. The amount accumulated by strict budgeting measures in the granting of import dollars and a corresponding increase in export receipts. In the first four months of this year exports showed a substantial gain over those in the same period of last year. Export receipts for the January-April period of 1956 were \$135,588,576, as compared with \$119,051,355 in the same four months of 1955.

Dollar reserves on July 5 stood at \$233,190,000, a decline from the June 29 figure of \$235,610,000. The gold price on the free market in Manila was for refined 108.25 pesos per ounce, bullion for 108.00. The currency issue of the Central Bank of the Philippines on July 6 stood at P715,300,000, as against P719,040,000 on June 29.

ECONOMIC DEVELOPMENTS IN THE PHILIPPINES

The Senate gave final approval to the Japanese reparations agreement and peace treaty and five top government planners started the mapping out of a program for implementing the reparations agreement during its first year. They were given 60 days to answer such considerations as: 1. The determination of priorities in allocating the capital goods to be received. Under the agreement the Philippine government will receive title to the goods and will then sell them for pesos to Philippine private interests. 2. The establishment of a government reparations and

procurement office in Tokyo. 3. The role to be played by local financing institutions in the reparations program. This involves the question of how and where local private interests will get the credits they will need to buy the goods from the government.

The use that the government will make of the income it receives from the sale of the reparations goods is a debated question. At present the money is scheduled to go into the general fund to be used for operating expenses of the government. However, at least one ranking member of

the Philippine panel that worked out the agreement has criticised this arrangement. He said that it ran contrary to the spirit and letter of the agreement as originally drafted, which would have channeled the reparations funds into a central economic development fund. The creation of such a fund would not only do more to foster economic development but would eventually mean increased tax income for the government.

The number of Filipino students in the United States has tripled in the past five years. In the 1955-56 school year just recently ended there were 1,703 Filipinos among the 43,309 citizens of other countries studying in the United States. In the number of students representing their homelands, the Philippines ranked fifth, preceded by Canada, China, India and Korea and followed by Japan.

Barter trade with the United States and other countries which do not have exchange controls, and with free ports like Hongkong, will no longer be allowed under revisions in the no-dollar trade regulations. Trading firms or individuals who are not at the same time producers will be prohibited from engaging in straight barter transactions under the new regulations, even if they previously enjoyed the privilege. While regular traders will lose the volume of their business made possible through barter, there will be a corresponding increase in the merchandising activities of

producers.

The recent ban on the importation of completely finished radio receiving sets into the Philippines will not lead to retail price rises in receivers. Radio Electronics Headquarters Co. and Radiowealth, Inc., the largest radio and TV set makers and distributors, will not increase prices and they will maintain the quality of their products and double their efforts to raise standards. The Central Bank ban on the granting of dollars for the importation of receivers does not apply to sets that come into the country in knocked-down form or in kits that can be assembled locally. Principal reason for the ban on complete sets was to avoid laying out exchange for cabinets which can be made locally.

Barter transactions with Hongkong, under the No-Dollar Import Law, increased considerably during the first five months of this year. This improved trade reduced the unfavorable trade balance of the Philippines with Hongkong to 6,369,278 Hongkong dollars during the January-May period, as compared with an unfavorable balance of 21,000,000 Hongkong dollars last year in the same five months. Factors in reduction of the deficit were the shipment of 1,000,000 Hongkong dollars worth of mangoes from the Philippines and heavy shipments of sugar, rice, bran, lumber, charcoal and salt. Philippine imports from Hongkong in the period consisted mainly of cotton yarns and piece goods valued at 2,000,000 Hongkong dollars and small quantities of Chinese medicine and hardware materials.

The government's National Rice and Corn Corp. agreed to adopt a policy which had been urged upon it for the protection of the farmers by the Agricultural Credit and Cooperatives Financing Administration. NARIC announced that it would channel its imported rice to low-income groups and that it would keep imported stocks off the open market until and unless the market price of rice goes beyond 85 centavos per ganta. NARIC Manager Jacinto Gavino indicated however that it was nearly impossible to define low-income groups and to make sure that they alone would benefit from policies designed to aid them. Holding back imported rice until the price reached the danger point would

prevent the importation of further stocks in time to relieve serious shortages.

Pres. Magsaysay authorized NARIC to import 80,000 tons of rice to meet an expected national shortage in the cereal this year. He pointed out that production in the country had been affected by droughts, typhoons, and damage to the crop by rats in Cotobato last year. The President disclosed a plan to bring down the retail price of rice from 85 to 60 centavos per ganta and at the same time still continue the government's price support program to local growers. He indicated that it would be done by having NARIC take a loss on the sale of its domestically purchased rice or by attempting to minimize that loss through the mixture of local rice with the less expensive imported product.

Colonel Andres Soriano, president of Atlas Consolidated Mining and Development Corporation, announced that the first shipment of iron ore from the company's iron mines at Mati, Davao, was made during the first week of July. The shipment was made to Japan and consisted of 6,500 tons of ore assaying 64.59% iron. The next shipment will total 9,700 tons of ore and is scheduled for July 25. Four shipments approximating 30,000 tons have been scheduled for August. The positive ore reserves at Mati are estimated at 1,570,000 tons. Further explorations this year are expected to produce additional tonnage.

The U.S. Office of Defense Mobilization is anxious to speed up development of the large nickel deposits in the Philippines. The ODM has already received information which indicates that the Philippine reserves constitute probably the fifth largest nickel deposits in the world, amounting to 550,000,000 tons of laterite ore containing 4,400,000 tons of nickel. The ODM is urging a speed-up of tests to determine more exactly the extent and quality of the Philippine ores. The reports so far received indicate that the ores contain 1.85% of nickel, as compared with a nickel content of 1.1 to 1.4% for Cuban ore. Present estimates are that it will take four to five years to get Philippine nickel areas into production. However, since the ODM is anxious to develop new sources of nickel, it has appealed to the U.S. Bureau of Mines and to the Philippine Government to see if this time cannot be reduced considerably.

The Bureau of Mines in Manila has previously announced that it is conducting tests to develop processing equipment especially suitable for the Philippine nickel ores. These tests will probably be completed within three to six months, after which the results will presumably be made available to the Philippine government and to several private companies which have expressed an interest in the Philippine deposits. The need for private capital to develop the Philippine nickel is indicated by the fact that a mill to process the ores will cost an estimated \$100,000,000. The advantage to the Philippines of an early start in the exploitation of its nickel reserves is indicated by the fact that nickel is currently selling for around 64½ cents a pound, or \$1290 a short ton. That would make its presently estimated reserves worth well over five and a half billion dollars.

Baguio Gold Mining Co. during June milled 13,069 tons of ore for a recovery of 2,885.55 ounces of gold worth P309,985.74 at current market prices. This represents an increase over May, when 2,746.34 ounces were recovered for a valuation of P293,881.60. Palawan Quicksilver Mines, Inc. during June treated 1,975 tons of cinnabar ore for a recovery of 15,783 pounds (207 flasks of 76 pounds each) of mercury with an estimated value of P107,000.

ECONOMIC REPORTS FROM BANGKOK

Thailand Financially Stable: Stating that "Thailand is financially and economically stable," Premier P. Pibulsonggram reported that: 1. Excluding foreign aid, Thailand achieved a 260 million baht favorable balance in trade last year. 2. Foreign exchange rates were stabilized. 3. Domestic products are lower-priced than in neighboring countries. 4. Prices of imported goods are on a level with world market levels. 5. The Thai people are paying less than other peoples. 6. Though lower than Europe or America, the standard of living in Thailand is higher than that of neighboring countries.

The Premier noted that it is not possible to lower prices further without hurting producers. What should be done is not to lower producers' prices but to cut down transportation and other intermediate costs. He said: "Then there is the trader who tries to buy cheap and sell dear." Quoting figures of the National Economic Council, the Premier said that the Thai pays eight percent of his income in tax while the tax in the United States is 20 percent, the United Kingdom 40 percent, Burma 10 percent, India 8 percent, the Philippines 10 percent, Malaya 11 percent and Ceylon 19 percent. The Premier also reported a three to five percent increase in average income of the Thai, which was 1,300 baht per month three years ago.

Economic Plan Report: After studying a report by the Thai delegation to an international economic planning conference the Cabinet Council decided that the National Economic Council should consider the recommendations made in the report for implementation. It was announced that the recommendations include:

1. There is at present in existence a committee entrusted with planning for economic advancement of the country; the functions of the committee are to study statistics and make recommendations on long-term economic plans, in particular to give advice on extraordinary capital expenditures of the various ministries. However, there are no permanent officials attached to this committee. There should be enough officials with adequate knowledge to assist the committee. At the same time officials of various ministries should assist the committee in provision of figures required.
2. In order to judge the work of economic progress, it is necessary to survey results of the use of budgetary allotments made for various economic projects. There should be regulations for ministries to report to the committee on work on the plans and on how the allotments have been used.
3. A department should be set up specially for economic planning. This department may be set up directly under the Prime Minister or as a part of the National Economic Council, and the obtaining and keeping of statistics should be considered an important function of this department.

Bank Credit Control: The Government is drafting legislation for control of commercial bank credit. Commercial banks should not give too much credit because it would encourage overtrading and resultant business and money difficulties. Commercial banks should be more careful in granting credit to importers. One of the reasons for money tightness is too much import, a lot of money tied up in unsaleable import goods. Another reason is that Savings Bank branches are situated far from farms and farmers who desire to put their earnings into the bank actually do not do so because of the distance of the banks. This means the money gained by farmers does not quickly get back into circulation. Some people who obtained loans from banks re-loaned the money to real traders at a higher rate of interest.

Thai-US Relations: "Since the war, Thailand has enjoyed a favorable balance in its trade with the United States," American Ambassador Max W. Bishop said. In the years prior to World War II, Thai exports to the United States were insignificant, amounting to only about three-tenths of one percent of total Thai exports. Even though Thailand imported considerably more from the United States than she exported to the United States during this period, imports from the United States still accounted for only 4.7 percent of Thailand's total imports. Total Thai-United States trade during 1939 amounted to less than three million dollars. Following the war, the direction of Thai-American trade reversed and its volume increased spectacularly. By 1949, the United States was furnishing Thailand with 15.7 percent of her imports and was purchasing 16.6 percent of her exports. Since the war, Thailand has enjoyed a favorable balance in its trade with the United States. For example, in 1954, the US bought 54.8 million dollars worth of goods from Thailand, while selling 42.6 million dollars worth to Thailand. This is indeed a far cry from 1939 when US sold goods to Thailand valued at 2.7 million dollars and purchased only 200,000 dollars worth! Thus, in the course of 15 years, total Thai-United States trade has increased by over 3,000 percent.

Movie Industry: Acting on instructions of Premier P. Pibulsonggram, Major-General Momluang Kharb Kunjara, Director-General of the Public Relations Department, has drafted a plan to build up the movie-making companies of Thailand into a worthy movie industry. This plan would cost a total of 20 million baht. It was found that most of the local movie-making companies used only about 200,000 baht capital for each film and thus did not have the desire to make really good movies. The project also calls for building of studios which could be used by the movie-making companies. The Premier ordered the drafting of the project in order to raise the standard of domestic film-making.

Cinema Curb: The Ministry of Culture has proposed to the Government the following concerning movies: 1. The Government should stop showing of movies on important religious and national holidays, and should cut down on the daily showing of movies. 2. The Government should stop further building of cinema halls. 3. The Government should impose quota control on foreign movies. 4. The Government should appoint representatives of the Education and Culture ministries on the board of movie censors. 5. The Government should announce regulation on movie-making in Thailand, to ensure the pictures are moral and cultural.

Technical College: The Government is to open, this year, a technical college for northeast Thailand in Nakorn Rajsima. It will be the second regional technical college, the first having been opened last year for South Thailand in Songkhla.

Cost Of Living: The Cabinet Council decided on steps to bring down the cost of living. Premier P. Pibulsonggram told the Cabinet that consumer goods are high priced although there are considerable amounts of such goods, in many cases above domestic demand. The Cabinet decided to take the following steps: 1. To bring down the price of imported goods: a. The Ministry of Finance is to control credit facilities, to ensure that commercial banks do not give too much credit. b. The Ministry of Economic Affairs is to control importers to prevent use of credit beyond their financial status and if there is a surplus of imported goods over demand to consider permitting re-export of such

goods. The Ministry is also to find out the factory price of goods and expenses in order to control sale prices here and prevent them from being set high by the merchants.

2. To bring down the price of internal produce: a. The Ministry of Economic Affairs is to set up wharves and warehouses in order to bring down the cost of producers in bringing their product to market and keeping them in storage. b. The Ministry of Cooperatives is to promote setting up cooperative societies among producers.

Furthermore, the Cabinet Council decided on the two following steps: 1. The Ministry of Interior is to consider amendment of rent laws for the purpose of permitting landlords to charge merchants "tea money" within specified limits. 2. The Ministry of Communications is to make every effort to improve transportation facilities in order to reduce transportation charges.

The Cabinet found that one of the reasons for high prices of goods is the high "tea money" which merchants have to pay landlords. It is believed that if there were legalizing of "tea money," landlords would keep within limits to be permitted by law. Legislation is also proposed to make it necessary for landlords trying to evict merchants from their buildings to obtain permission of the Rent Control Board.

The Ministry of Communications is to instruct the Transport Company and the Express Transportation Bureau to obtain more trucks and passenger buses.

Meanwhile, the Cabinet was pleased with figures provided for comparison of the cost of living in Thailand with those of other Asian countries. With 1948 as the basic year (100), it was found that in 1955 the cost of living index in Thailand was 144 while in Japan it was 170; Cambodia 200; Vietnam 217; China (Taiwan) 229; Laos 265; Indonesia 286; South Korea 1,000. The Ministry of Economic Affairs reported on prices of essential goods in Hongkong and Singapore compared with Thailand. The price of 10 percent rice in Thailand was 1.70 to 1.80 baht per kilo, compared with 2.70 to 2.80 baht in Hongkong and 2.90 baht in Singapore. The price of pork in Thailand was 9.00 to 10.00 baht compared with 17.20 to 18.70 baht in Hongkong and 16.75 baht in Singapore. The price of ducks in Thailand was 12.00 to 13.00 baht per kilo, compared with 18.00 to 19.80 baht in Hongkong and 13.40 baht in Singapore. The price of chicken in Thailand was 15.00 to 16.00 baht per kilo compared with 18.00 to 20.60 baht in Hongkong and 16.00 to 18.00 baht in Singapore. The price of fresh sea fish in Thailand was 4.00 to 4.50 baht per kilo compared with 3.60 to 9.00 baht in Hongkong and 11.70 baht in Singapore. The price of duck eggs in Thailand was .55 to .60 baht per egg, compared with .55 to .70 baht in Hongkong and .80 baht in Singapore. The price of bananas in Thailand was .15 to .30 baht each compared with .22 to .40 baht in Hongkong and .40 baht in Singapore. The price of fresh chillies in Thailand was 1.50 to 2.00 baht per kilo compared with 7.90 to 10.10 baht in Hongkong and 4.15 to 8.30 baht in Singapore. The price of dried chillies in Thailand was 8.50 to 12.00 baht compared with 9.00 to 10.80 baht in Hongkong and 5.90 baht in Singapore. The price of garlic in Thailand was 3.00 to 4.00 baht per kilo, compared with 5.40 to 6.50 baht in Hongkong and 5.72 baht in Singapore. The price of little onions in Thailand was 2.00 to 2.50 baht per kilo compared with 6.50 to 7.90 baht in Hongkong and 3.20 baht in Singapore. The price of tamarind in Thailand was 2.50 to 2.70 baht compared with 9.00 to 10.80 baht in Hongkong and 2.90 baht in Singapore.

Ore and Fuel Surveys: In accordance with an agreement with Krupp of Germany, two experts have been sent here from Germany to make a survey of iron ore deposits

and fuel resources for the purpose of building a steel factory. Another team will be sent here later by Krupp for actual work on the project. The experts work closely with Ministry of Industry officials.

Japanese-Thai Trade: A Japanese mission arrived to study possibilities of increasing trade and economic cooperation between Thailand and Japan. The Economic Cooperation and Goodwill Mission of the Federation of Economic Organizations, was headed by the Japan Foreign Trade Council. Other members of the mission were Komatsu Mfg. Company, Ishikawajima Heavy Industries, Nippon Steel Works, Federation of Economic Organizations. Japan hopes not only to sell more goods to Thailand but to buy more raw materials. Japan may consider making industrial investments in this country.

When the new trade agreement between Thailand and Japan goes into effect, replacing open account trade with normal trade, all business with Japan will be conducted as with other countries, except in the cases of trade already authorized under the open account arrangement but which has not yet been completely transacted, and in the case of rice. Traders will be given till September 30 to complete open account trade already authorized. The rice trade will be until further notice conducted under open account arrangements with the Bank of Thailand announcing periodically rates of exchange as near to open market levels as possible.

Mr. Aoki, Japan's Minister in Bangkok, said that the agreement "is a compromise reached by both sides. It will be the start for enlarging of trade on both sides. Since the war, we have been trading to the extent of between 60 and 70 million US dollars each way per year. We shall endeavor to increase this trade." As a start, Mr. Aoki said, "we will begin negotiation for buying more rice." The envoy explained that rice will continue to be purchased by the Japanese Government's Food Agency, although rice rationing has been abolished. He reported that both sterling and US dollars will be used in the Thai-Japan free trade. He said the central banks of both countries may regulate the amounts of dollars, or sterling used in the trade. "For example, if Japan has many dollars, she may pay in dollars." He said according to the agreement, exchange to be paid on a trade transaction will be at payer's option.

Mr. Aoki reported that he expects Hongkong trade with Thailand in goods of Japanese origin "will stop almost immediately," following signing of the agreement. He explained that "charges in the Hongkong transit trade would be at least three percent above charges in direct trade."

Outlining Japan's plans under the new trade agreement to increase purchases of Thailand's products, Mr. M. Aoki, the Japanese Charge d'Affaires, stated that: 1. Japan is switching purchase of castor seeds from Communist China to Thailand. 2. Japan is switching purchase of rubber from Singapore to Thailand. 3. Japan is switching purchase of lac from India to Thailand.

He also reported that Japanese industrialists are planning mining of iron ore and rare minerals, including uranium, in Thailand. All this would be done, "without adversely affecting regular markets Thailand has in the United States, the United Kingdom and Europe." Mr. Aoki cited rubber. He said Thailand has a regular market in New York. He said that Japan is not trying to snatch away this market but, "since normal trade is replacing open account trade as from April 16, Japanese manufacturers will be in a better position to compete with buyers from other countries".

He said that Japan has been buying most of its rubber from Singapore but as part of the plan to promote trade

HONGKONG'S INDUSTRY

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In the last ten years the pattern of Hongkong's economy has changed profoundly, and industry which, prior to the Second World War, was only of minor importance, has now assumed the major role.

The Colony's first industries were in the nature of services allied to the development of the port. The earliest was, of course, shipbuilding and repairing. The first locally-built vessel, the *Celestial*, 80 tons, was launched in 1843. Two sugar refineries were established, the first in 1878, the second in 1882, not so much to satisfy the needs of the then small local population, but the requirements of ships' victualling officers. In 1885 a rope factory was started, again primarily to cater for the seafaring trade. A cement factory was transferred to Hongkong from Macau in 1899.

with Thailand it is planned to buy more and more rubber from Thailand in place of Singapore. On castor seeds, Mr. Aoki said that Japan has found Communist China unsatisfactory as a source of supply. He explained "sometimes China ships out castor seeds, sometimes it bars shipments." It is planned for Japan to announce one year in advance the amount of castor seeds it requires every year and the minimum price it is ready to pay, so that farmers in Thailand may plan their planting accordingly being sure of a market. At present Japan is buying 20,000 tons of castor seeds a year from Thailand, bringing an income to this country of approximately 3,200,000 US dollars. He said that the amount to be purchased by Japan from now on would be considerably higher.

Concerning lac, Mr. Aoki said that Japan is dissatisfied with supplies from India because India permits export only of processed lac, while Japanese manufacturers prefer lac in the raw state or partly processed so that they can turn the lac to their own requirements. A mission has been sent here to inspect the Thai lac industry. The mission, which arrived earlier and has been to Chiangmai, will visit the northeastern areas of supply also. The mission comprised Koyo Kagaku, Nihon Jushi Kagaku, Japan Shellac Industries. A mission to look at the Thai castor seed farms came here earlier. It is planned to double the purchase of lac from Thailand. At present about 700,000 US dollars worth of lac is imported by Japan from this country per year. Japan needs more lac because Japan has opened a new market in South America for products in whose manufacture lac plays a part. Japan requires increased quantity of raw materials because Japanese industries are on an ambitious expansion program. Japanese industrialists are especially interested in iron ore and rare metals. They hope to be able to mine iron ore in Thailand and export some of it for Japanese factories while small steel plants may produce finished steel goods from the ore for the domestic market.

Mr. Aoki said that among the rare metals in which Japan is interested is uranium. He said at present there is a prohibition against export of radioactive ores, including uranium. Nevertheless Japan may mine uranium for the Thai Government. About ten Japanese geologists and mining engineers are making surveys in southern provinces and Japanese or joint Thai-Japanese mining and industrial ventures may result.

At times there were tentative efforts to set up new modern industries, but these faded out, like the spinning mill which was started in 1899 and closed down a few years later. However, some industries obtained a firm foothold, such as the manufacture of rattanware, which started in 1902, and of cotton knitted singlets and vests, which started in 1910. These however flourished more or less unnoticed amid the Colony's growing entrepot activities.

The first real stirrings in industry occurred during the First World War, and in the years following there was some expansion. A weaving factory, operating 30 hand looms, was established in 1922, and in 1927 the first flashlight factory came into being.

It was the Ottawa Agreement of 1932, under which Hongkong products became entitled to Imperial Preference, which provided the first major encouragement to local industry, assisting existing manufacturers to seek wider markets for their goods and attracting new investors. Additional stimulus was provided in the first years of the Second World War, when locally-manufactured military and civilian supplies aided the Allied cause. It is estimated that in 1940 there were about 800 factories.

Factory rehabilitation after almost four years of enemy occupation was rapid, urged on by an acute shortage of goods throughout the whole of war-scarred South-East Asia. A vital year for local industry was 1948, when the influx of refugees from China reached its peak. While most arrived destitute, many brought capital and technical skill which found ready employment in Hongkong.

When the Korean War and the resultant embargo on trade in strategic materials with China drastically reduced the volume of Hongkong's commerce, only industrial expansion could ward off the dangers threatening economic stability, and provide employment for a greatly swollen and still increasing population. Local manufacturers reacted quickly to the new situation, and, in spite of difficulties in obtaining certain raw materials, a growing volume and range of Hongkong goods from many new industries, and from reinvigorated older ones, began to flow out to the world.

Today Hongkong possesses 2,925 registered and recorded factories, employing a labour force of 129,465 workers. In addition to these registered undertakings, there is a very large number of smaller concerns, many of which pursue handicraft activities of a traditionally Chinese character, some of which have been set up by refugees. It is estimated that just under 200,000 people find employment in these smaller industrial undertakings.

The variety of goods turned out by local industry is considerable, but, in general, while heavier industries, such as shipbuilding, continue to be important, the Colony has become noted for the price, quality and range of the products of its light industries. Among the most important of these products are cotton piece-goods, cotton yarns, towel-ling, ready-made garments of all kinds, enamelware, aluminiumware, torches, torch batteries and bulbs, vacuum flasks, plasticware, paints and varnishes, rubber and leather footwear, and rattanware. Among the traditional Chinese goods produced, brocade piece-goods, embroideries and drawn-work, crocheted gloves and paper novelties are the best-known.

In 1954 exports of local products were valued at £42,617,436. In 1955 this figure rose to £45,644,910, representing 29% of the total value of the Colony's exports. The United Kingdom was the best customer. Although South-East Asian countries are naturally important buyers of Hongkong goods, economic restrictions in some parts of the region and industrialization in others have forced the Colony's merchants and manufacturers to look further afield for new markets.

There is without doubt scope for further industrial development in the Colony, but certain difficulties have to be faced. The first of these is the severe shortage of water. This will be ameliorated to some extent when Tai Lam Chung Reservoir is completed. The second difficulty is a shortage of suitable industrial land in Hongkong's hilly terrain. In the past much of the Colony's residential and commercial development has been achieved by the simple expedient of excavating hillsides and using the spoil to reclaim land from the sea. This method is being used to make the reclamation at Kun Tong referred to in the Review of the Year, and which will provide within the next few years about 140 acres of land for industrial sites.

Heavy Industries

The Colony's 21 shipbuilding and repair yards employ over 7,540 workers. Most of the yards are capable of handling and building small craft, lighters, barges and ferries; but the Hongkong & Whampoa Dock Co. Ltd., and the Taikoo Dockyard and Engineering Co. of Hongkong, Ltd., which together have an annual building potential of 80,000 gross tons, are equipped with the most up-to-date machinery and have facilities to carry out any major repairs, including the complete re-winding of large motors, the balancing of turbine rotors, electrical repairs on any scale, repairs to sanitary and refrigerating systems, and underwater work.

There are six granite dry-docks in the Colony, the largest of which is 787 ft. over-all and 93 ft. 4 ins. wide. There are two stationary hammerhead cranes capable of lifting up to 150 tons. Other facilities available are ocean-going tugs, harbour repair launches, a crane barge equipped with sheer-legs lifting up to 40 tons, and foundries capable of handling castings of up to 30 tons.

During 1955 the two large shipyards carried out repairs on 1,513 vessels, with an aggregate of approx. 7,850,900 gross tons. Apart from repair, the Hongkong & Whampoa Dock Company carried out several major reconstructions, including the building of a new and lengthened centre section into an oil tanker, utilizing the existing bow and stern, and the conversion of a second large tanker into an iron ore carrier. The conversion contract, which involved a vessel which lay at the time in dry-dock in Bremen, was secured in the face of keen competition from European shipyards. The Company also built a number of steel diesel harbour tugs, launches, barges and ferries. The Taikoo Dockyard built and launched two cargo vessels of 5,790 gross tons each, powered by Taikoo-Doxford engines, for the China Navigation Company Ltd., in addition to a number of smaller vessels and lighters.

Among shipyards specializing in small craft, the Hongkong Transportation Company was awarded a \$11,000,000 contract to build 30 oil barges for the Burmese Inland Water Transport Board. From the slipways of the Cheoy Lee Shipyard came a lighthouse and buoy tender for the Sarawak Government, and police and preventive service launches for the Hongkong Government.

Other heavy industries in Hongkong include 14 iron foundries and 4 steel rolling mills, employing altogether 1,280 workers. The rolling mills concentrate principally on the production of steel reinforcing bars from converted

steel scrap, which are used in the main to meet the demands of extensive local building projects. The export market for these products has recently increased considerably, due to some mills being able to offer bars conforming to British Standards Specifications. Exports of iron and steel bars and rounds in 1955 were the highest to date, amounting to 268,140 cwt., valued at £525,410. Thailand and New Zealand were the principal buyers.

Light Industries

The extensive variety and versatility of Hongkong's light industries are now generally recognized, and the steadily improving quality of the products turned out is emphasized by the growing demand for them in such markets as the United Kingdom.

Textiles. This is the Colony's largest industry, covering all processes from the spinning of cotton, rayon, silk and woollen yarns to weaving, knitting, dyeing and finishing, and the manufacture of all types of garments. There are 727 factories in the industry employing 43,192 workers. The 19 cotton spinning mills employ 13,274 workers. The aggregate number of spindles is 293,052, compared with 247,000 in 1954.

These mills are among the most modern in the world, producing counts of yarns ranging from 10s to 60s carded and combed, supplied in single or multiple threads. Total monthly output, based on 20s counts, is approximately 10,549,872 lbs., of which a large proportion is taken up locally by knitting and weaving factories. The remainder is exported, principally to Indonesia, Vietnam, Thailand, the United Kingdom, South Korea, Burma and the Philippines. Exports of cotton yarn in 1955 amounted to 32,351,460 lbs., valued at £6,270,487. A number of the mills are also equipped for weaving with the latest types of automatic loom. There are 51 finishing mills.

In the weaving section of the textile industry there are 146 factories, operating about 6,500 power looms and employing over 8,500 workers. There are also numerous handlooms operating in smaller establishments. Drills and grey sheeting, which form the bulk of the cloth produced, account for 31% of the Colony's textile exports. Other fabrics of importance are shirtings, mattes, osnaburgs and towellings. Exports of cotton piece-goods amounted to 164,730,831 square yards, valued at £11,384,106, with the United Kingdom the principal buyer, and Indonesia and Malaya next in importance. Exports of cotton towelling were valued at £823,228.

There are 14 establishments producing brocade piece-goods of traditional Chinese design. The remaining textile concerns include knitting and ready-made garment factories producing underwear and outerwear, gloves, bathing suits, socks, stockings and many other items. Exports of shirts were valued at £4,106,758, cotton singlets at £3,683,991, and gloves at £2,366,651. The United Kingdom was the chief destination for both shirts and gloves.

Footwear. 67 factories, employing 8,584 workers. Rubber footwear, manufactured by 54 of the factories, is one of the Colony's major exports. Products include Wellington boots, plimsolls, and shoes for beach, sports, and house wear. Of high quality, these have met with increasing demand from overseas buyers. 1,594,994 dozen pairs, valued at £3,856,611, were exported in 1955. Principal markets were the United Kingdom and Canada.

The remaining factories turn out a variety of footwear, mainly leather, which finds steady markets, principally in Malaya and Thailand.

Metal Products. 399 factories, employing 17,780 workers. Products are very extensive, including enamelware, aluminiumware, vacuum flasks, needles, nails and screws, hurricane lamps, tin cans, umbrella ribs, and metal windows.

The most important single metal industry is, enamelware, in which 32 factories, with 114 furnaces, are engaged. Endangered by over-expansion since 1954, this industry rallied considerably towards the end of 1955. Principal destinations for Hongkong enamelware are East and West Africa. Total exports in 1955 were valued at £3,527,660. The principal markets for aluminiumware, chiefly household utensils, are Vietnam, Malaya, Indonesia, Africa and the Philippines. Exports were valued at £610,249.

New ventures in metal products include the manufacture of cigarette lighters and underwater swimming apparatus.

Electric Appliances. Electric hand torches, or flash-lights, are manufactured by 34 factories, employing about 5,600 workers. The high standard of workmanship in the industry has attracted keen demand from nearly every major country in the world, the principal buyers being the United States, India, Africa, the United Kingdom, Thailand and Malaya. Apart from many local brands, "Ray-O-Vac" and "Ever-Ready" torches are manufactured under licence. Seamless aluminium torches are a recent development. Exports amounted to 3,534,480 dozen, valued at £3,088,259.

Eight factories, employing over 850 workers, manufacture torch batteries, overseas demand for which is increasing. 5,002,960 dozen, valued at £663,682, were exported, Indonesia, Malaya, Vietnam, Thailand, and African countries being the principal buyers. Radio batteries were manufactured for the first time.

Thirty factories, employing about 800 workers, manufacture electric bulbs, appliances and the assembly of neon lights. Exports of bulbs amounted to 10,144,601 dozen, valued at £365,658.

Foodstuffs and Beverages. 323 factories, employing over 7,300 workers, are connected with the Colony's large food and beverage industry. The more important of these include 1 sugar refinery; 21 factories preserving and canning vegetables and fruits; 7 preserving ginger; 60 rice and wheat flour mills; 2 meat canning and preserving factories; 59 factories pressing vegetable oils and manufacturing bean curd, soya sauce and gourmet powder; 28 soft drinks factories and Chinese wine distilleries; and 1 brewery. The remaining concerns include bakeries, confectioners, etc.

In the food industry the Colony is possibly best known for high-quality refined sugar. Two small concerns are engaged in processing sugar, but the refinery, the Taikoo Sugar Refining Co. Ltd., is capable of refining 1,000 tons of sugar a week, and apart from high-grade refined crystals, granulated and soft sugars, it also produces half cubes, icing, castor, golden coffee crystals and golden syrup. Total exports, of refined sugar amounted to 47,376 tons, valued at £2,011,347. Malaya, Vietnam, South Korea and Macau were the principal buyers.

Total exports of foodstuffs and beverages were valued at £1,001,914.

Paints, Varnishes, Enamels and Lacquers. 9 concerns, employing over 460 workers. The bulk of production is consumed locally, but overseas interest is growing. Exports totalled 4,402 tons, valued at £773,586.

Plastic Ware. 65 factories, employing 1,491 workers, and in many cases using up-to-date production techniques. Much of the machinery used is made locally. Products include tooth-brushes, mugs, plates, combs, coat-hangers, cigarette cases, electric fittings, plastic-coated rattan, sign-boards, chopsticks, mahjong sets, toys and buttons. An important development within the industry is the use of polythene. Household utensils and seamless bottles in this pliant material are now available.

Exports were valued at £492,553, the principal markets being Malaya, Africa, Middle and Near East countries, Burma, the Philippines, and the West Indies.

Hats. 120 factories, employing about 3,400 workers, manufacture waterproof hats, sun hats, topees, straw hats, caps and, most important, felt hats. In this last line alone there are 25 factories. Exports of felt hats amounted to 248,449 dozen, valued at £251,979. Principal markets were Thailand, Malaya, Burma, India, and African countries. Exports of all other hats were valued at £405,446.

Cordage, Rope and Twine. 42 concerns, employing about 935 workers. The majority cater only for local needs, but the larger, such as the Hongkong Rope Manufacturing Company, established in 1885, supply cables and ropes not only to the many ships which call at Hongkong, but also for export to many parts of the world. Exports were valued at £103,227, the principal buyers being Western Germany, Thailand and Malaya.

Cement. The Green Island Cement Co. Ltd., employing about 260 workers, manufactures cement chiefly for local use, but 1,036,191 cwt., valued at £396,821, was exported to North Borneo, South Korea, Malaya and other countries.

Cigars and cigarettes, manufactured from imported tobacco by 6 factories, employing over 1,140 workers, and using modern machinery. The bulk of production is consumed locally, but 146,209 lbs. of cigarettes, valued at £42,703, were exported, Macau and Indonesia being the principal buyers.

Matches. 4 factories, employing about 680 workers, with steady markets in Malaya, Indonesia, the Philippines, Australia, and Middle and Near East countries. Exports amounted to 15,120 cases, valued at £144,032.

Among the many other local industries, sawmills and the manufacture of wooden articles employ 1,717 workers; printing, publishing and paper dyeing, 7,235 workers; chemicals and cosmetics, 1,889; glass, pottery, clay and abrasives, 2,052.

FINANCE & COMMERCE

INDONESIA'S FATS AND OILS

Indonesia's production of all fats and oil commodities in 1955 declined from 1954 with the greatest decrease tonnage-wise in copra, by far the major oil-bearing crop.

Copra production in 1955 is estimated at 1,003,000 long tons compared with 1,084,000 in 1954 and 1,093,000 in 1953. Smallholders' output of copra, which accounts for the bulk of the production, declined 82,000 tons from 1954. Factors causing the decrease include poor management, disease of plants, transportation and security difficulties, and increasing competition from the Philippines.

The Copra Board believes that the decrease in East Indonesian copra production is due to the agitation for the setting up of independent copra marketing organizations in these areas. In recent months delegations of copra producers have demanded the liquidation of the Copra Foundation. The Copra Foundation of Minahasa (North Sulawesi) came into operation in February 1955. Additional organizations have been asked for other areas to handle exports under the direction of the Central Government. Other demands by producer delegations have been for improved harbors, navigation aids, better roads, and a decrease in the influence of foreign capital in the copra industry.

The Copra Foundation buys direct from producers about 395,000 long tons of copra annually and furnishes oil millers with 40 to 60 per cent of their requirements. The Foundation spent 3 million rupiahs (\$342,000) in 1955, 4 million (\$456,000) in 1954 and 20 million (\$2,280,000) in the period 1951-1953 for development aid to producers. Other recent activities of the Copra Foundation include the launching on November 25, 1955, in Djakarta, of the first of 6 coastal vessels for copra shipments from East Indonesia and West Kalimantan. Shipping space is still acute.

Copra exports in 1955 are reported officially at 230,692 long tons compared with 290,015 in 1954. Coconut oil exports are small but increased from 686 tons in 1954 to 1,228 tons in 1955. A brisk smuggling trade in copra continues, with an estimated 5 to 10 per cent of the total output (55,000 to 110,000 tons) being smuggled from the West Coast of Sulawesi to British Borneo.

Singapore reported an acute shortage of copra in April 1956 as a result of the increasing shipments of Indonesian copra to North Borneo for re-export and the general decrease in Indonesian surplus availabilities. Much of this loss to Singapore is due to the policy of the Indonesian Government which ended barter trade with Singapore as of September 1955.

Domestic consumption of coconut oil has increased substantially. Indonesia's cost price of copra has been high, but Copra Foundation officials do not consider the partial loss of the export market the result of Philippine competition. Whereas copra exports declined from 338,217 tons in 1952 to 230,692 tons in 1955, copra cake exports in-

creased from 84,447 to 152,405 tons in the same 3 year period.

Palm oil production declined slightly from 185,960 short tons in 1954 to 182,755 tons in 1955. Palm kernel production dropped even less, relatively, from 47,778 to 47,279 tons. Exports of palm oil decreased substantially more than production, from 154,390 tons of oil and 46,745 tons of kernels in 1954 to 128,207 and 42,722 tons, respectively, in 1955. There was a sharp drop in shipments to the Netherlands. However, exports of both kernels and oil to Japan more than doubled the 1954 tonnage.

Indonesian soybean production declined from 14.7 million bushels in 1954 to 12.6 million in 1955, and peanut production from 273,000 to 238,750 tons. Soybean exports are negligible. Peanut exports in 1955 amounted to 4,581 tons, largely shelled basis, compared with 17,392 tons in 1954.

The problem of increasing production to meet increased domestic needs and at the same time maintaining the export trade, is the principal one facing the Indonesian fats and oil industry today. Increased exports can come only from increased production. Therefore, even in the event of higher world prices, it is doubtful that much of the 110,000-ton decrease in copra exports in the last 3 years could be restored to the export trade. Palm oil production depends upon reinvestment of capital by the estates which, in turn, depends upon outside influences such as labor unrest, activity of land squatters and the attitude of the Indonesian Government toward renewal of estate leases, withdrawal of profits, and other related problems.

HONGKONG EXCHANGE MARKETS

For the week of 6th to 11th August 1956

August	T.T. High	U.S.\$		Notes High	Notes Low
		T.T. Low	H o l i d a y		
6					
7	\$624	618½	622½	614	
8	614	610½	612½	608	
9	610½	609½	610	606	
10	609½	608½	608½	606½	
11	610	608	609½	606½	

D.D. rates: High 619½ Low 606.

Trading totals: T.T. US\$2,340,000; Notes cash US\$485,000, forward US\$4,720,000; D.D. US\$430,000. The strong market was overdone by the speculators and it reacted so heavily that gains of a week ago were lost. This was caused by the sudden rise of the cross rate from US\$2.61 to 2.66 after the August bank holiday. The future trend of the market depends solely on the international cross rate which will be shaped by the Suez Canal news. In the T.T. sector, offers were from Korea, Japan and from speculators who took their profits, while gold importers were good buyers. In the Notes market, speculators were on-sided, thus operations were very difficult and rates fluctuated widely. Interest favoured sellers and aggregated \$6.95 per US\$1,000; positions taken by speculators averaged US\$3 million per day. In the D.D. sector, market was quiet.

Yen: Interest for change over aggregated \$3.10 per Yen 100,000 in favour of sellers, and cash quotations were \$1,410—1,400 per Yen 100,000. No futures market. There is ample

supply of yen notes and also Tokyo account is offered freely.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.86—1.835, Japan 0.0147—0.014425, Malaya 1.872, Vietnam 0.06756—0.0653, Thailand 0.2777—0.276. Sales: Pesos 310,000, Yen 95 million, Malayan \$340,000, Piastre 7 million, Baht 5 million. Outside market transactions were fairly large, among merchants and investors.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK\$: England 16.202—16.10, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.839—5.755, Canada 5.948—5.861, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon. 1.219—1.207, Burma 1.216—1.205, Malaya 1.889—1.871; selling per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.333, Belgium 0.117, West Germany 1.389.

Chinese Exchange: People's Bank Yuan notes quoted at \$1.70 per Yuan. Taiwan Dollar notes quoted at \$165—163 per thousand, and remittances at 165—162. Turnover remains small.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.14—16.12, Australia 12.50, New Zealand 14.20, Egypt 15.25, South Africa 15.80—15.79, India 1.1875—1.18, Pakistan 0.79, Ceylon 1.00—0.99, Burma 0.51—0.47, Malaya 1.836—1.835, Canada 6.21—6.125, Cuba 4.80, Philippines 1.915—1.89, Switzerland 1.38—1.36, West Germany 1.38, Italy 0.0093, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.0145—0.0143, Vietnam 0.074—0.0715, Laos 0.0735—0.069, Cambodia 0.085—0.083, N.

Borneo 1.50, Indonesia 0.1905—0.19, Thailand 0.272—0.271, Macau 0.996.

The Burma rupee (called kyat) is greatly weakening and some action by Rangoon must follow; perhaps devaluation. Burmese state finances are not in good order. Ceylon's rupee remains almost unchanged, some 20% under official rate due to outward remittance pressure by Indians in Sri Lanka. But Ceylonese finances are reasonably steady. Pakistan rupee continues weak and the trend is downward. Karachi seems to be unable to stabilise the exchange of its currency on free markets. Another devaluation may be expected in due course unless the present pattern of state finances changes for the better. Philippine peso has remained unchanged in spite of the higher rate for US\$; this proves that locally US\$ was speculatively manipulated though in sympathy with New York free market for sterling. The peso's open market value in terms of HK\$ has continued as before but, calculated over the US\$ rate, the peso has declined by the same percentage as HK\$ has dropped against the US\$ in recent weeks. Indonesia's rupiah has been on the up and up, testifying to improvements in Djakarta and sounder finance policy of the fairly stable coalition govt. of Indonesia. Further improvement is expected provided that the coalition holds.

GOLD MARKET

August	High .945	Low .945	Minco .99
6			
7	\$271¼	268	280 High
8	266¾	263	
9	265¾	263¾	
10	264½	263¾	Low 274
11	264¾	263¾	

The opening and closing prices were 268 and 264½, and the highest and lowest 271½ and 263. The market was very erratic and in line with rates of US\$. Interest for change over favoured sellers and aggregated \$3.90 per 10 taels of .945 fine. Tradings averaged 13,400 taels per day and amounted to 67,000 taels for the week, in which 23,410 taels were actual deliveries (6,510 taels listed officially and 16,900 taels arranged privately). Speculative positions averaged 36,400 taels per day. Imports were all from Macau and totalled 12,500 taels; a shipment of 22,000 fine ounces arrived in Macau in the week. Exports amounted to 9,800 taels (6,000 taels to Singapore, 2,000 to Indonesia, 1,000 to Rangoon, 800 to Korea). Differences paid for local and Macau .99 fine were \$12.50 and 12.00—11.70 respectively per tael of .945 fine. Cross rates were US\$ 37.95—37.92. 66,000 ounces were contracted at 37.915 per fine ounce, C.I.F. Macau. US double eagle old and new coins quoted at \$268 and \$227—226 respectively per coin, and Mexican gold coins at \$287.50—283 per coin.

Silver Market: 500 taels of bar silver were traded at \$6.00 per tael; 700 g coins at \$3.85—3.83 per coin; and 20 cent coins remained at \$2.94—2.93 per 5 coins.

Money Market, Financial Conditions: Tighter money was observed with credits somewhat restricted by lenders' apprehensions about the near future as Suez news were felt to be upsetting. And they were indeed. Gold and US\$ speculative transactions as well as some outward flow of funds contributed to this apparent tightness; actually funds for the merchants were amply available and at the current low rate of interest but financiers were for the moment holding back with loans. Importers were generally, due to the 'opportunities' expected from the Suez trouble, inclined to increase orders and lay in stocks anticipating higher quotations. On the other hand, the Suez canal issue may fizzle out and business might after a while continue as usual. The trend in the near future will be for more cargo movement around the Cape thus lengthening the period of European merchandise arriving here and increasing, slightly, freight cost. Cargo from Japan, America and other suppliers east of Suez should increase in quantity.

Rate of interest was as before, authorised banks charging 6% p.a. for letters of credit, 6 to 8% p.a. for other loans, while commercial and especially native banks were charging about 1 to 2% higher, and for long term credits up to 15% p.a., the latter only when unsecured overdrafts were demanded though by firms of good standing. The mortgage market was weak and first rate land and houses only brought 9% at most. Generally, there is reluctance by big and small financiers to venture funds on real estate loans as ever more houses are going up and renting out

of premises proves more difficult. With plenty of capital available for investment the outlets for it are getting less attractive. Deposits in banks are increasing especially so because financiers are often at a loss what to do with their accumulations. The share market is absorbing relatively small funds and in recent weeks there has been no induction of fresh capital. The yields are considered less attractive. Local so-called gilt-edgeds bring about 4—5% while banks are willing to grant 2—3½% on deposit. With the share brokers' commission at 1% both for purchase and sale the bona fide investor may be better off by not going into the local securities market. Speculators with hopes of buying low and selling high are not discouraged and this type of buyer has been more in evidence than local conservative financial policy would wish it to be.

HONGKONG SHARE MARKET

August 7—1C, 1956

Fluctuations were wide, trading active, and turnover aggregated \$5.56 during the 3½-day week. The selling pressure inherited from previous week gathered momentum when over-sensitive investors liquidated large parcels of Wheelocks, Wharves, Docks, Hotels, Lands, Cements and Utilities on Tuesday. Prices registered sharp drops with most shares reaching the lowest for the week. Speculators and investors who believed that the Suez Canal problem would not lead to another war, absorbed all available offers at their lowest, stimulating a general recovery with Telephones, Electrics, Hotels, Trams, Wheelocks and Cements improving to prices slightly higher than the closing rates of the previous week. Profit taking, however, damped the market; most closing rates were lower than those for the previous week. Union Ins. alone improved \$5 on the week. Allied Investors, HK & FE Investors, Textiles, Star Ferries and Nanyang registered no transaction throughout the week.

Monday: Holiday. **Tuesday:** Prices were depressed by persistent selling pressure. Utilities led the decline with heavy trading in Electrics, Telephones and China Lights. Lands and Hotels also declined. The turnover amounted to \$1.87 million; the undertone was weak. **Wednesday:** The market made a sharp recovery but light scale profit-taking caused a temporary recession in prices midway through the morning. The undertone appeared steadier towards the close and turnover amounted to \$940,000. **Thursday:** With a better sentiment prices made a further recovery. However, profit-taking caused prices to close fractionally below the top levels of the day. The turnover amounted to \$2 million. **Friday:** Quieter conditions prevailed. Prices drifted fractionally lower. The turnover amounted to \$750,000.

DIVIDEND

The H.K. Land Investment and Agency Co., Ltd. declared an interim dividend in respect of the year ending December 31, 1956, of \$1.75 per share on the 1,300,000 issued shares of the Company payable on September 24, 1956.

HONGKONG STOCK EXCHANGE IN JULY

July witnessed a general upward trend in share prices with only a fair volume of business reported. Interest appeared to be widespread with a bias towards Utilities. Kowloon Wharf shares came in for attention after being quiet during the earlier part of the month and the price gradually improved. The tone at the close was steady.

Banks & Insurances: Only a moderate business was reported in Hongkong & Shanghai Bank shares. Lombards were offered at \$47 and a small quantity of shares changed hands at \$46. Business reported in Unions was negligible.

Investment Companies: Allied Investors and Yangtze were in the lead. Trading was on a moderate scale in Hongkong & Far Eastern.

Shares	Aug. 3	Last Week's Rates			Ups and Downs
		Highest	Lowest	Closing	
HK Bank	1670 s	1670 n	1660	1660	—\$10
Union Ins.	985	990	975 b	990	+45
Wheelock	8.90	8.95	8.50	8.70	—20c
HK Wharf	89	88.50	87	88	—\$1
HK Dock	42 s	41	40	40	—\$2
Provident	14.20	14.20	13.70 b	13.70 b	—50c
HK Land	67	67	64	66.50	—50c
Realty	1.475	1.475 s	1.425	1.45	—10c
Hotel	14.80	15	14.10	14.70	—20c
Trams	23.90	24	23.50	23.90	steady
Yau-matj	112 b	110	107	108	—\$4
Light (F.P.)	24	23.90	22.50	22.40	—60c
Light (P.P.)	21.80	21.80	20 n	20.70	—\$1.10
Electric	31	31.25	29.40	30.25	—75c
Telephone (o)	24.60	24.70	22.50	24.40	—20c
Cement	35.50	36	33.50	35.50	steady
Dairy Farm	16	15.90	15.20	15.80	—20c
Watson	12.10	11.80	10.90 b	11.60 b	—50c
Yangtze	7.05 s	6.80 s	6.75	6.80 s	—25c
Amal. Rubber	1.60	1.525	1.475	1.475	—2½c

Shipping: Wheelocks were active at rates between \$9.15 and \$9.45 with Eastern Asia Navigation registering only a fair volume of business. No sales were reported of Union Waterboats but buyers advanced their rates.

Docks & Wharves: Kowloon Wharf and Hongkong Dock shares changed hands in light scale trading at advancing prices.

Lands & Hotels: A brisk demand for Hongkong Hotels sent the price up and a fair number of shares changed hands. Buyers were compelled to increase their bids for Hongkong Lands which touched \$71 but closed fractionally lower. A large number of Hongkong Realities changed hands at various rates. Moderate dealings in Shanghai Lands were reported.

Public Utilities: Active trading was reported in this section and price increases recorded.

Industrials: Cements were in demand at increased rates and a fairly large number of Hongkong Ropes changed hands.

Stores: There was little demand for shares in this group but Lairy Farms and Watsons were dealt in, the latter at improved rates.

Miscellaneous: Business was negligible.

Cottons: Light scale trading reported. The offer by Textile Corporation of 1 New share at par for every 3 old received a cool reception.

Rubbers: Amalgamated and Rubber Trust led in moderate trading. Share prices were influenced by the price of Raw Rubber.

Dividend and other announcements were made by Hongkong & Shanghai Banking Corporation, Hongkong & Far Eastern Investment Co., Ltd., "Star" Ferry Co., Ltd. and Textile Corporation of Hongkong Ltd.

Business in July: \$18,808,694. Business in 1955: \$333,189,500. Business during Jan-July 1956: \$129,159,157.

Business in July, 1955: \$56,075,754.

BUSINESS DURING JULY

	Qty. of Shares
H.K. Bank	607
Bank of East Asia	499
Lombard Insurance	625
Union Insurance	95
China Underwriters	1,000
Allied Investors	32,500
Yangtze	28,465
H.K. & Far East Inv.	3,900
Indo-China (Def.)	300
Asia Navigation	5,700
Wheelock Marden	93,084
Wharf Co.	3,062
C. Providents	25,985

	Qty. of Shares
H.K. Docks	5,850
H.K. Mines	8,100
H.K. & S. Hotels	58,462
H.K. Lands	19,786
Shanghai Lands	5,000
Humphreys	26,530
Realty	299,000
Chinese Estates	20
H.K. Trams	34,600
Star Ferry	1,110
Yaumati Ferry	10,012
China Lights (F. Pd.)	62,614
" (P. Pd.)	41,172
H.K. Electric	47,876
Macao Electric	885
Telephones (O)	83,589
" (N)	7,841
Caldbeck (Ord.)	140
Cements	37,830
Ropes	6,622
Metal Industries	6,200
Dairy Farms	28,385
Watson	15,980
Lane Crawfords	6,150
Kwong Sang Hong	60
Wing On	40
China Entertainment	500
Construction	300
Vibro Piling	1,875
Shanghai Gas	150
Textiles	25,500
Nanyang Mill	11,750

Rubber

Amalgamated Rubber	165,813
Ayer Tawah	6,316
Java-Consolidated	13,863
Rubber Trust	60,986
S'hai Kelantan	3,498
Sungala	26,500

HIGHEST AND LOWEST QUOTATIONS FOR SHARES DURING FIRST SIX MONTHS OF 1956

	High	Low		High	Low
H.K. Government 3½% (1934)	\$93½	\$93½	Public Utilities		
Do. 3½% (1940)	\$93½	\$93½	Hongkong Tramways, Ltd.	\$25½	\$22½
Do. 3½% (1948)	\$93½	\$91	Star Ferry Co., Ltd.	\$144	\$131
			Hongkong & Yaumati Ferry Co., Ltd.	\$114	\$97
Banks			China Light & Power Co., Ltd. (F. Pd.)	\$25	\$20.20
H'kong & S'hai B'king Corp. X.D.	\$1800	\$1645	Hongkong Electric Co., Ltd.	\$22.10	\$16.40
" London Register	\$98½	\$95½		\$46½	\$42
Bank of East Asia, Ltd.	\$238	\$232		(X'All)\$33	\$28.20
				(Bonus)\$31½	\$17.80
Insurances				(Rts)\$21.80	\$17.80
Lombard Insurance Co., Ltd.	\$60	\$42		(O)\$10	\$9.40
Union Inc. Socy. of Canton, Ltd.	\$1010	\$960		(N)\$8.80	\$8.80
China Underwriters, Ltd.	\$9.40	\$8.70		\$8½	\$8.70
				\$35	\$31½
Investment Companies				(X'All)\$25	\$21.80
Allied Investors Corporation, Ltd.	\$5.95	\$5.10		(Rts)\$14.10	\$11.60
Yangtze Finance Co., Ltd.	\$7.05	\$6½	Industrials		
Hongkong & Far Eastern Investment Co., Ltd.	\$11.80	\$11.20	Green Island Cement Co., Ltd.	\$40	\$33½
			Hongkong Rope Manufacturing Co., Ltd.	\$15.80	\$11.80
Shipping			Meta Industries Corporation Ltd.	\$1.90	\$1½
Indo-China Steam Navigation Co., Ltd. (Def.)	\$41	\$40	Stores		
Union Waterboat Co., Ltd. (O)	\$28	\$18½	Dairy Farm, Ice & Cold Storage Co., Ltd.	\$19.30	\$15.70
" (N)	\$22	\$19.30	A.S. Watson & Co., Ltd.	\$13.20	\$10.30
Eastern Asia Navigation Co., Ltd.	\$1¼	\$1	Lane, Crawford, Ltd.	\$26	\$24
Wheelock Marden & Co. Ltd.	\$9.45	\$8.20	Caldbeck, Macgregor & Co., Ltd.	\$33½	\$29.80
			Sincere Co., Ltd.	\$1.90	\$1.80
Docks, Wharves & Godowns			Kwong Sang Hong Ltd.	\$171	\$169
Hongkong & Kowloon Wharf & Godown Co., Ltd.	\$98	\$70	Miscellaneous		
Shanghai & Hongkong Wharf Co., Ltd.	\$0.90	\$0.90	China Entertainment & Land Investment Co., Ltd.	\$18.90	\$17½
Hongkong & Whampoa Dock Co., Ltd.	\$44	\$31	International Films Ltd.	\$0.20	\$0.20
China Provident Loan and Mortgage Co., Ltd.	\$15.70	\$13.10	H.K. Engineering & Construction Co., Ltd.	\$3½	\$3½
Shanghai Dockyards, Ltd.	\$1½	\$1.10	Vibro Piling Co., Ltd.	\$24	\$23½
			Cotton Mills		
Mining			Textile Corporation of H.K., Ltd. X.Rts.	\$5.85	\$5.30
Hongkong Mines, Ltd.	\$0.06	\$0.06	Nanyang Cotton Mill Ltd.	\$7.80	\$7½
			Rubbers, etc.		
Lands, Hotels & Buildings			The Amalgamated Rubber Estates, Ltd.	\$2.075	\$1.075
Hongkong & Shanghai Hotels, Ltd.	\$18.70	\$13.30	The Ayer Tawah Rubber Plantation Co., Ltd.	\$5.60	\$5.10
Hongkong Land Investment and Agency Co., Ltd.	\$66½	\$59		(X Bonus Issue)	\$1.15
Shanghai Land Investment Co., Ltd.	\$1.125	\$0.45		\$1.30	\$0.55
Humphreys Estate & Finance Co., Ltd. (N)\$19½	\$17.10	\$18.80	Java Consolidated Estates, Ltd.		
Hongkong Realty & Trust Co., Ltd.	\$2.05	\$1.425	Langkat		
	(Rts)\$0.60	\$0.50	N.V. Maatschappij Tot Mijn-Bosch-En Landbouweexploitatie in Langkat	\$2¼	\$2¼
			The Rubber Trust, Ltd.	\$2¼	\$1.30
			The Shanghai Kelantan Rubber Estates (1925) Ltd.	\$1.35	\$0.975
			The Sungala Rubber Estate, Ltd.	\$3.85	\$2.70

SINGAPORE SHARE MARKET

(July 28—August 3)

The Suez Canal dispute had little, if any, influence on the Malayan share market. However, towards the close of the week profit taking reversed what had been a more or less continual rise in many Industrials, and at the same time turnover was on the wane. Whilst Rubbers were quietly steady, Tins, in a number of cases, were below the week's best.

Fraser & Neave touched \$2 for the first time since February 1955. Only small business was done at the price, the bulk of a good turnover was done at just under the \$2 mark. Gammons eased off to \$1.96 sellers, Hammers to \$2.90 and Wearne Bros. came back from \$2.97 to \$2.90. Malayan Collieries were firm with buyers at \$1.04, McAlisters after an isolated transaction at \$2.85 closed buyers at \$2.90. Straits Traders were on offer at \$25, Sime Darby at \$1.90, Wm. Jacks at \$2.80 and Singapore Cold Storage at \$1.49.

Petalings touched \$3.20 before heavy selling forced the price down to \$3.10 sellers.

Austral Amalgamated had fair turnover at 17/6, but after the announcement of the 1/- dividend, closed sellers at 17/1. Kuala Kampar had exchanges at 29/3 & 29/7½, Rawang Tins had increased turnover at 9/6 and Lower Perak moved from 17/1½ to 17/6 and back again to 17/1½ c.e.r. Malayan Tin were active between 10/3 and 10/- and Kamunting Tin and Siamese Tin were taken from London at 8/4½ and 9/3 respectively.

The Rubber section had reduced turnover. Jimah touched \$1.21½, Amalgamated Malay were taken at \$1.58 and Tapah recovered again to \$2.75 but closed sellers at \$2.70.

British 3½% War Loan was taken from London down to £70. Local loans had few transactions.

BUSINESS DONE 28TH JULY TO 3RD AUGUST

Industrials: Fraser & Neave Ords. \$1.98½ to \$2.00, Federal Dispensary \$2.08 to \$2.05, Gammons \$1.98 to \$1.96, Hammer & Co. \$2.90 to \$2.92½, Hongkong Banks Colonial \$900.00, Hongkong Banks London \$93¾, Wm. Jacks & Co., \$2.82 & \$2.80, Malayan Breweries \$2.90 & \$2.88, Malayan Collieries \$1.00 to \$1.04, Metal Box \$1.50 to \$1.52½ to \$1.50, McAlisters \$2.85, Robinson & Co. Ords. \$1.51 & \$1.51½ to \$1.50, Sime Darby \$1.92½ & \$1.91½, Singapore Cold Storage \$1.50 to \$1.47½, Straits Times \$2.85 to \$2.90, Straits Traders \$25, Straits Steamship \$13.75, United Engineers Ords. \$8.75, Henry Waugh \$1.42½, Wearne Bros. \$2.95 to \$2.97 to \$2.90.

Tins: Hong Fatts \$1.14, Kesang Tin 60 cents, Petaling \$3.20 to \$3.10, Taiping Con-

solidated \$1.43½, Ulu Klang 19 & 20 cents, Austral Amalgamated 17/6, Austral Malay 34/3, Consolidated Tin Dredging A.2/7½, Jelapang 12/7½, Kampong Kamunting 6/3 & 6/4½, Kuala Kampar 29/3 & 29/7½, Lower Perak 17/1½ to 17/6 to 17/1½ c.e.r., Rawang Tins 9/6, Rawang Concessions 28/9 to 30/6, Sungei Bidor 6/10½ & 7/-, Takuapa 16/3, Hongkong Tin 5/-, Kamunting Tin 8/4½, Malayan Tin 10/- to 10/3 to 10/-, Siamese Tin 9/3, Tanjong Tin 19/1½, Temoh 6/3.

Rubbers: Allenby .73 & .74 cents, Amalgamated Malay \$1.58, Bassett 43 cents, Benta 95 cents, Hamilton \$1.65 & \$1.66, Jimah \$1.21½, Temoh 6/3.

Kluang \$1.10 & \$1.13, Pajam 92 to 95 cents, Tapah \$2.70 & \$2.75, Temerloh 95 & 96 cents.

Overseas Investment: British: British Motors 7/-, Burmah Oil 98/8, Colevilles 35/7½, Dunlop Rubber 19/-, Grayson Rollo 7/1½ c.d., Great Universal Stores 38/10½, London & Coastal Oil Wharves 22/8½, Milford Docks 68/10½, Shell Transport 154/-, Australian: Courtalds (A) Ltd. A.17/6, Great Boulder Rights A.3/9, Western Titanium (2/6 Pd.) A.5/2 & A.5/3, Western Titanium (5/- Pd.) A.7/8, New Zealand: Tasman Pulp & Paper NZ. 26/-d. South African: Hartbeestfontein 39/6, Harmony 24/6, New Union Gold 57½, President Brand 57/1½ & 56/-d.

HONGKONG AND FAR EASTERN TRADE REPORTS

(August 1—11, 1956)

The Suez Canal crisis did not bring any immediate serious effects to the local market; shipping companies accepted cargoes for UK and Europe as usual and insurance companies did not increase their premium. For fear of possible military actions, however, many dealers here instructed suppliers to send goods by vessels other than British and French steamers. Business circles were concerned with the possible delay of the settlement of this explosive problem because the double-chARGE for ships passing through Suez would eventually bring about another freight increase and the threat of the war would prompt hoarding of essential supplies and foodstuff and stimulate commodity prices. The uncertain situation, the pending hike in freight charges and the recent decline in trade here made local dealers hesitant in booking new supplies from UK and Europe. Many firms, banking on the intuition that prices would go further up, cabled new orders to their European suppliers who immediately cabled back: "unable to accept; price advanced." Some firms therefore turned to US and Japan for replenishments but the steep climb in US\$ also made indents too expensive. In the case of Japanese metals, Tokyo was short of raw materials.

China Trade: Peking bought 4,000 tons of cement from Japan at US\$18.30 per ton fob for shipment in September. The first cement order for 3,000 tons booked last month, was shipped to China on August 9. China and Lebanon ratified the trade agreement signed end of last year; under the agreement, China will export iron and steel products, machine tools, telecommunications equipment, chemicals, raw materials, medical appliances, cotton yarn and cloth, handicrafts and Lebanon will ship to China, sugar, tobacco, olive oil, gunny bags, vessels. To Egypt, China promised to supply 250 automatic looms and 10 spinning frames with 4,200 spindles. The first consignment will be shipped before end of this month. The Chinese Trade Mission to the Netherlands, entered into

trade negotiations with 150 enterprises; details of these negotiations were not known. Chinese trade representatives in London enquired for 300,000 British watches. At the present, China buys nearly 2 million watches from Switzerland annually. China also gets watches from HK; last year about \$10 million worth of watches were smuggled into China from here. To the local market, China sent 1,100 head live hogs, 600 head cattle, and substantial quantities of light industrial products and foodstuff. 3,000 tons of exports were transhipped here to Singapore and Rangoon (hemp seed, foodstuff, iron wire nail, cotton cloth, window glass, 1,000 tons of gypsum); 200 tons to Thailand (mild steel round bars, canned food, etc.); and a consignment of sesame and hide to Japan.

Taiwan Trade: Taipei officials were negotiating with Japanese businessmen for imports (during 1957) of chemical fertilizers from Japan in exchange for exports of Taiwan rice. With Manila, Taipei discussed the signing of a trade protocol covering exports of camphor, rice, poultry products, vegetables, etc. in exchange for imports of Philippine lumber, iron ore, abaca and copra. To SE Asia, Taipei was promoting the export of rubber products, stationery, electric fans, canned food, soap, sewing machines, toothbrushes and toothpaste, plastics, gourmet powder, medicines, fluorescent lamps, brown sugar, camphor, underwears, sports shirts, aluminiumware, harmonicas and shoe polish. The Government asked Taiwan manufacturers to send in samples of these items for exhibition in Thailand, South Vietnam, Cambodia and Singapore. Taipei was also considering to put Taiwan's international trade on a tax-free basis. A free trade zone would be set up in Kaohsiung. In this zone, raw materials would be imported duty free and manufactured goods exported; consumer goods would remain under government exchange control. From the local market, Taiwan made more purchases but the volume remained insignificant. Exports shipped to Keelung included 250 tons of condensed

milk, medicinal herb and chemicals. To HK, Taiwan sent 700 head of live hogs and substantial quantities of sugar, fruits, tea, feather, citronella oil, camphor tablets, and other staples.

Japan Trade: Tokyo got the permission from U.S. to sell 40 wooden vessels worth US\$3 million to China. In view of the shortage of raw materials for her steel industry, Tokyo earmarked US\$27.9 m for imports of 317,500 tons of pig iron and \$23 m for 310,000 tons of scrap iron. Unable to get the required tonnage from US, Tokyo turned to other sources including Australia, and HK. From here, Japan also bought mild steel round bars and steel plate. To the local market, Japan shipped 5,000 tons cement, 250 tons sugar, and large quantities of coal, chemicals, yarn, cloth, onion, electric appliances, toys, chinaware and sundries.

Korea Trade: With the allocation of more foreign exchange in Seoul, importers there sent more orders to HK for various supplies. Interest was centred chiefly on HK manufactured wheat flour and US and European paper. Buying offers were still low and in many cases handicapped transactions particularly when replenishment cost further advanced. Enquiries from Seoul, however, prompted speculative buying here in paper and wheat flour.

Indonesia Trade: At the beginning of the month, Djakarta sent here many enquiries for grey cloth. Speculators immediately absorbed about 60,000 pcs of grey cloth of HK and Chinese origins. On August 5, however, Djakarta announced that no more import licence would be issued or application for foreign exchange granted as a temporary measure to check the fall in foreign currency reserves. At the same time, in order to stimulate exports, Djakarta announced that a subsidy ranging from 20% to 30% would be paid in foreign currency on the export value of 30 different products including rubber, sugar, coffee, tea and copra. Exporters would be allowed to use this subsidy for imports of technical supplies, bicycle tyres, canned goods, metals, textiles, photo supplies stationery and office supplies. This means that in the future, HK exports to Indonesia would depend upon the volume of imports from that country. Meanwhile, exports to Djakarta totalled about 2,500 tons including textiles, torch, enamelware, hurricane lantern, underwear, and old newspaper.

Thailand Trade: Imports of rice from Thailand exceeded 5,000 tons. Bangkok also sent here 800 live cattle and substantial quantities of teak wood squares, groundnut kernel, hide and skin, rattan, coffee, feather, maize, green pea and kapok. In return, HK exported to Bangkok, over 2,500 tons

of HK manufactures and Chinese products including paint, yarn, garlic, onion, cloth, underwear, enamelware, iron wire nails, and cement. New orders reached here from Bangkok covered Chinese products such as joss stick, native paper, bamboo ware, black fungus, lily flower, porcelain ware; and HK manufactured mild steel round bars, paint and enamelware, etc.

Singapore & Malaya: With the approach of the Ghost Festival, importers there ordered from the local market, Chinese products including joss sticks, native paper, cereals and garlic. In addition to these seasonal items, HK shipped to Singapore and Penang: 700 tons sugar, 500 tons wheat flour, and substantial quantities of fruits, vegetables, medicinal herb, dried red chilli, enamelware, match, aluminium ware, tea, hurricane lantern, leather shoes, groundnut oil and other staples. Imports from Malayan markets included 1,700 tons of firewood, 500 tons of charcoal, 2,000 cases of soap and some used tyres and canned beef.

The Philippines: Barter trade under old licences remained active between HK and Manila. Sugar consisted of the major portion of imports from the Philippines.

Cambodia, Laos, and Vietnam: Orders reached here from these states were chiefly for HK manufactures. However, there were also enquiries for Australian wheat flour and European metals from Cambodia and South Vietnam in spite of the restriction imposed by these states requiring that imports financed with US Aid Funds must be made from producing countries. Towards end of last week, Saigon allowed imports of canned food and other consumer goods financed with self-provided foreign exchange.

Burma and Ceylon: Burma continued to buy limited quantities of wheat flour, old newspaper and Chinese produce such as joss sticks, cereals, oils, and canned food from here. Exports to Ceylon were still handicapped by the congestion of cargo in Colombo's port warehouses. Over 3,000 tons of exports now await shipment from here to Colombo.

India and Pakistan: India bought from here, torch, cassia lignea, raw silk, green pea and galangal. Dealers here ordered more shellac but did not book any Indian yarn. Pakistan yarn remained popular in the local market; imports were so substantial recently that one Pakistan manufacturer came here to contact local importers for more orders.

Europe Trade: In spite of the Suez Canal crisis, cargo movements between here and Europe remained very active because exporters at both ends were

rushing shipments before the increase in freight charges.

Egypt Trade: Reports from banking sources revealed that Egypt is no longer within the Sterling transferable area; from July 27 this year, all payments from or to the sterling accounts of residents in the Egyptian Monetary Area (the territory comprised Egypt and former territory of Palestine at present administered by Egypt) are subject to exchange control. HK-Egypt trade has always been insignificant; exports totalled \$217,228 during the first six months this year consisting chiefly of raw silk and cassia lignea. During the same period HK imported \$3.4 million worth of cotton from Egypt.

Ryukyus and Australia: Okinawa continued to buy wearing apparel and daily necessities from the local market. Recent exports to this destination also included wheat flour and structural steels and materials. To Australia, HK shipped Chinese woodoil and local manufactures, including cotton piece-goods, rattanware, gloves, firecrackers and enamelware.

Africa Trade: West and North Africa increased purchases of HK manufactures but exports to South and East Africa declined.

US and UK: Over 1,000 tons of cargo reached here from US consisting chiefly of consumer goods, black plate, textiles and newsprint. HK sent substantial quantities of local products to US. Booking of US supplies slowed down during the period because of the pending increase in freight rate and the steady hike of US dollars in the local exchange market. When US\$ advanced from HK\$6.05 on August 1 to HK\$6.215 on August 7, most American goods in retail shops here were marked up; but when it eased to HK\$6.075 on August 10, prices did not come down. This is actually profiteering. Exports to and imports from UK remained very active. Among over 7,000 tons of imports from UK were 1,000 tons of black plate, 120 tons of steel plate and 42 motor cars.

Freight Rates: Beginning November 1 1956, freight charges for HK-Australia and HK-New Zealand routes will be hiked by 12.5%. No increase in freight has yet been announced for HK-Philippines, HK-Burma and HK-Thailand lines.

China Produce: Demand from Southeast Asia, Japan and Europe remained steady. Orders from Japan, however, were chiefly for items which were low in stock here: sesame, gallnuts, silk waste. Maize was abundant in supply but demand was weak with only local food factories making limited pur-

chases. Groundnut kernel was favoured by Singapore, Japan and Malaya; supply of Chinese goods was short and dealers here had to import from Thailand to meet the demand. Gypsum attracted orders from Taiwan, Malaya and Cambodia but the arrival of 1,000 tons from China depressed the market. Red chilli was very firm on orders from Ceylon, Singapore and India; garlic steady in exports to Singapore and Ceylon; green pea popular with India and Japan; feather and hog bristle favoured by Europe. Other popular items were hemp seed, cassia lignea, bitter almond, groundnut oil, camphor oil, peppermint oil, camphor tablets, cassia oil, aniseed oil, woodoil, rosin, coir fibre, raw silk, jute, egg products, galangal and soya bean.

Metals: Dealers here almost stopped booking any new supply on account of the steady increase in cost of European, US, UK, and Japanese goods. The heavy arrival of supplies from various sources also tied up a large amount of cash leaving limited funds for dealers to book new indents. Although market prices here for many items were lower than costs of replenishments they were still considered too high by buyers. However, in the case of mild steel round bars, low price in the local market attracted orders from Japan, Indonesia, Thailand and Cambodia; Japan wanted 1,000 tons. Cambodia enquired for HK manufactured round bars but factories here were reluctant to accept orders exceeding 500 tons due to the shortage of raw materials. Price of scrap iron continued to advance especially after Japan had returned to the local market and increased buying quotation for this item. Structural steels were also enquired for by Thailand and Korea. China wanted to buy steel box strapping and black plate while sending here asbestos roofing, iron wire nail and galvanized iron wire. Large quantities of blackplate, tin plate and waste arrived from US and UK; increased indents and strong local demand kept these items very firm. Mild steel plate gained not only on orders from Thailand for forward cargo but also on enquiries from Japan for 200 tons. The market at the close last week was very firm.

Paper: Thailand, Vietnam, Korea and local retailers provided strong demand while stock of most popular items dwindled and cost advanced. Trading was limited to selective items with Korea interested in 400 reels of newsprint, 7,000 reams woodfree printing, 4,000 reams m.g. white sulphite, 2,000 reams transparent cellulose paper and 600 reams cigarette paper. Many transactions were handicapped by short stock and low buying offer. Vietnam bought art printing, and cigarette paper; Indonesia favoured tissue, Thailand procured newsprint in ream, transparent cellulose paper and flint. Local demand remained steady and covered glassine, duplex board, straw board in addition to above items.

Industrial Chemicals: Trading was slow but prices steady on account of the increased cost and freight. Only a small number of popular items were transacted: shellac and lithopone bought by Taiwan; sodium cyanide, chromic acid and lactose by Korea; sodium bicarbonate by Thailand; caustic soda, zinc oxide, citric acid by local factories. Gum arabic improved on speculative transactions.

Pharmaceuticals: SE Asia and Taiwan provided selective demand but sent here more enquiries than orders. Prices were steady or short stocks. SE Asia was interested in quinine powders, aspirin, phenacetin, dihydrostreptomycin and atebirin tablets; Taiwan in ferri ammonium citrate, calomel, extract ergot, clinical thermometer, sulfonamides, PAS, vitamin B1 powder, penicillin preparations and dihydrostreptomycin.

Yarn & Piece Goods: HK cotton yarn was steady on local demand and enquiries from Cambodia. HK staple fibre yarn were enquired for by Korea. In spite of heavy stock here, Pakistan cotton yarn firm on increased indent. Indian yarn declined due to the lack of demand. Japanese cotton yarn was also weak. HK grey cloth retained steady demand from UK. Indian grey cloth was favoured by the Philippines. Chinese grey sheeting was absorbed by speculators when it was learned that Indonesia intended to buy this item from here; however, when Djakarta

suspended the issuance of new licence, liquidation started. Chinese tussah silk piece goods enjoyed increasing demand from India and Europe.

Rice: Over 5,000 tons reached here from Thailand but prices were steady on strong local demand and firm indent cost. Burmese rice eased slightly under selling pressure while Chinese rice firmed on low stock and good local demand.

Wheat Flour: HK products were marked up on account of the increased cost of wheat and the pending increase in freight rates. Export sales of HK flour during the period included 2,000 tons to Korea and 1,500 tons to SE Asia (Burma and Singapore). Canadian and American flour also stiffened on increased cost and higher US\$ exchange rates. Australian flour was enquired for by Vietnam.

Sugar: Local demand improved with the approach of the Mid-Autumn Festival. Over 500 tons arrived from Taiwan but price remained firm. 250 tons of granulated sugar reached here from Japan; price steady on increased cost. Philippines sent here 500 tons of brown sugar, price eased slightly when demand did not develop. Philippine malt sugar up on increased cost. Taikoo retained strong local demand and attracted orders from Vietnam; prices firm.

Cement: China bought more cement from Japan but to the local market, she continued to send few hundred tons every week. Imports of cement from Japan totalled 5,000 tons during the period; price eased slightly. Japanese and Chinese products are now only \$1 different in price per ton. Green Island cement remained firm on steady local demand and orders from SE Asia.

Hongkong Products: In spite of the increased cost of raw materials, export prices of enamelware were not hiked. Items which will be affected by the pending increase in freight charges include textiles, wearing apparel, plastic goods, and nylon gloves. Rubber footwear will be affected by the increased rubber cost.